Annual Report

30 June 2018

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

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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
CT	Cheque Truncation
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
EOP	End of Period
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
FINRA	Financial Industry Regulatory Authority
FIS	Financial Institutions Statute
FMDP	Financial Markets Development Programme
FMI	Financial Markets Infrastructure
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
KFD	Key Facts Document
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
MIFID	Markets in Financial Instruments Directive
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
NFIS	National Financial Inclusion Strategy
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
PFMIs	Principles for Financial Markets Infrastructure
PRGF	Poverty Reduction and Growth Facility
PRIR	Petroleum Revenue Investment Reserve
PSI	Policy Support Instrument
PSIS	Private Sector Investment Survey
PSP	Payment Service Providers
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
SIPS	Systemically Important Payment Systems
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
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

AUDITORS

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

SOLICITORS

MMAKS
P O Box 7166
Kampala
Uganda

DELEGATED AUDITORS

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

BRANCHES

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

Arua Branch
Plot 27/29
Avenue Road
P O Box 152
Arua

Jinja Branch
Plot 3
Busoga Square
P O Box 35
Jinja

Fort Portal Branch
Plot 1
Kaboyo Road
P O Box 562
Fort Portal

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

Kabale Branch
Plot 137
Kisoro Road
P O Box 966
Kabale

Mbarara Branch
Plot 2
High Street
P O Box 1421
Mbarara

Masaka Branch
Plot 41
Kampala Road
P O Box 1567
Masaka

1 Governor's Foreword

The Ugandan economy in FY 2017/18 grew at a faster pace compared to FY 2016/17. Gross Domestic Product (GDP) expanded by 5.8 percent in real terms, a pace 1.9 percentage points higher than the outturn for FY 2016/17 of 3.9 percent.

Consumer price inflation was within the Bank of Uganda medium term target of 5 percent. Annual headline and core inflation averaged 3.4 percent and 2.7 percent, respectively compared to 5.7 percent and 5.1 percent in FY 2016/17. The low inflation registered during the year was largely a result of the relatively stable exchange rate and favourable weather conditions, which led to increased food supplies and weak aggregate demand notwithstanding the depreciation pressures experienced towards the end of the year. Bank of Uganda maintained a relatively eased monetary policy stance to support the recovery of credit growth and economic activity. The Bank cautiously eased monetary policy throughout FY 2017/18, reducing the Central Bank Rate (CBR) to 9.0 percent as at June 30, 2018 from 10.0 percent as at July 01, 2017.

The balance of payments recorded a deficit balance of USD209.8 million in FY 2017/18 compared to a surplus of USD438.6 million in FY 2016/17. The deterioration was mainly due to a widening of the trade deficit driven by a pick-up in the import bill, which more than offset the increase in exports; coupled with a decline in personal transfers. The import bill increased largely supported by a rebound in global crude oil prices and a rise in private sector imports – a reflection of stronger domestic demand. Export receipts increased partly on account of an increase in non-coffee exports. The stock of foreign reserves as at June 30, 2018 amounted to USD3,220.7 million, equivalent to 4.6 months of import cover.

The banking system remained in a sound financial condition and was well capitalized with all the banks meeting the minimum capital adequacy requirements. The ratio of non-performing loans to total gross loans declined to 4.4 percent as at end June 2018 from 6.2 percent as at end June 2017. In order to operationalize certain legislations, regulations were gazetted. The Financial Institutions (Islamic Banking) Regulations 2018 and Financial Institutions (Capital Adequacy Requirements) were gazetted. The Bank strengthened its information inquiries and complaints resolution mechanism through the establishment of the Financial Consumer Empowerment Mechanism.

I thank the Board of Directors, management, and staff of Bank of Uganda who have supported the work of the Bank in FY 2017/18.

Professor Emmanuel Tumusiime –Mutebile

Governor

2 Board of Directors and Management Structure

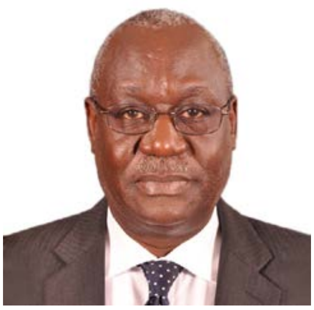
2.1 Board of Directors

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

Dr. Louis Kasekende
(Deputy Governor, Alternate Chairman of the Board, member of CPCB, HRRCB and SFCB),

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

Ms. Josephine Okui Ossiya
(Chairperson of the SFCB,
Member of: AGCB, CPCB and HRRCB)



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

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

Mrs. Susan Kanyemibwa
(Board Secretary)

Mr. Keith Muhakanizi
(Member of AGCB, SFCB and HRRCB)

Board of Directors and Management Structure

2.2 Management Structure

Board of Directors


Prof. E. Tumusiime-Mutebile, Governor


Louis Kasekende (PhD) Deputy Governor


Mr. Richard Mayebo
Executive Director Risk & Strategy Management
Risk & Compliance; Strategy & Quality Assurance


Mr. Elliot Mwebya
Executive Director Information Technology
IT Operations; Business Automation


Adam Mugume (PhD)
Executive Director Research
Economic Research; Statistics


Tumubweinee Twinemanzi (PhD)
Executive Director Supervision
Commercial Banking; NBFI; Financial Stability


Mrs. Mary Katarikawe
Executive Director Operations
Banking; Currency; Financial Markets


Mr. Richard Byarugaba
Ag. Executive Director Finance
Accounts; National Payments Systems


Mr. Solomon Oketcho
Executive Director Administration
Human Resources; Medical; Administrative Services; Security; Pension Administration


Mrs. Susan Kanyemibwa
Bank Secretary
Board Affairs; Communications; Legal


Mr. Philip Wabulya
Executive Director Petroleum Fund
Petroleum Investment Fund


Mrs. Joyce Okello
Personal Assistant to Governor
Procurement and Disposal


Mr. David L. Kalyango
Chief Internal Auditor
Internal Audit

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, (Chapter 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 Transparency, Accountability, Integrity, Teamwork and Excellence.

The Strategic Plan 2017-2022 now in the second financial year of implementation continued to be the driving guide force for the work executed by the Bank during the period 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 June 30, 2018, 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.

The term of office for four (4) NEDs namely, Ms. Judy Obitre-Gama, Mr. James Kahoza, Dr. William S. Kalema, and Mr. Ibrahim K. Kabanda expired on November 10, 2017 having been appointed on November 11, 2012.

The President with Parliamentary approval appointed four (4) NEDs on February 18, 2018. Ms. Judy Obitre-Gama, Mr. James Kahoza and Dr. William S. Kalema were re-appointed for the second term, while Ms. Josephine Okui Ossiya was appointed for the first time. The Board was inaugurated on March 07, 2018 and held its first Board meeting on March 23, 2018.

All the Directors possess a wide range of professional knowledge, qualifications, skills and experiences and are persons of integrity. The profile of Ms. Josephine Okui Ossiya who was appointed for the first time is indicated in Section 3.3.2.1.

3.3.2.1 Profile of Ms. Josephine Okui Ossiya

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

She holds an MBA from the University of Liverpool and a Bachelor of Commerce from Makerere University. She is a member of the: Institute of Internal Auditors Inc. Uganda (since 2008); Institute of Internal Auditors Inc. US (since 2001); Institute of Certified Public Accountants of Uganda (ICPAU) (since 2000). She is also a Fellow of the Association of Chartered Certified Accountants UK (ACCA) (since 2005).

She is currently the Chief Finance Officer of Bujagali Energy Limited. She earlier served as the Chief Finance Officer and Head of Finance at ATC Ghana, Finance Director at Eskom Uganda Limited, Financial Controller at Standard Chartered Bank (Uganda) Ltd and Financial Controller at Shell Uganda Ltd (now Vivo Energy). She has over 20 years of Senior Finance, Audit, Treasury, Risk management and General management experience and her experience ranges from working for the power and energy sector, Oil & Gas, Pensions, Financial Services, multinational Fast-Moving Consumer Goods (FMCG), Real Estate, Telecommunications industries and Government parastatals.

3.3.2.2 Composition and Membership of the Board as at June 30, 2018

Table 1 provides a summary of the Committee Membership(s)/Chairmanship(s) and date of joining the Board.

Table 1: Composition and Membership as at June 30, 2018

#	*Name*	*Date of Appointment*	*Board Committees for the period March – June 2018*			
			AGCB	***CPCB***	***HRRCB***	***SFCB***
1	Prof. E Tumusiime- Mutebile ***(Chairman)***	12-Jan-16				
2	Dr. L Kasekende (PhD) ***(Alternate Chairman)***	15-Jan-15		*Member*	*Member*	*Member*
3	Mr. James Kahoza	18-Feb-18	*Chairman*	*Member*	*Member*	*Member*
4	Ms. Josephine Okui Ossiya[1]	18-Feb-18	*Member*	*Member*	*Member*	*Chairperson*
5	Dr. William Kalema	18-Feb-18	*Member*	*Chairman*	*Member*	*Member*
6	Ms. Judy Obitre- Gama	18-Feb-18	*Member*	*Member*	*Chairperson*	
7	Mr. Keith Muhakanizi	21-Jul-16	*Member*		*Member*	*Member*
8	Mr. Ibrahim K. Kabanda[2]	11-Nov-12	*Member*	*Member*	*Member*	*Member*

1. She was appointed a NED with effect from February 18, 2018
2. Mr. Ibrahim K. Kabanda's term of office ended on November 10, 2017

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;
vi. duty to act within powers;
vii. to promote the success of the Bank;
viii. exercise independent judgment;
ix. exercise reasonable care, skill and diligence;
x. avoid conflicts of interest; and,
xi. 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 twenty one (21), and the attendance was as indicated in Table 2.

Table 2: Attendance of the Board and of the Board Committees: July – November 2017 & March – June 2018

#	BOARD MEMBER	BOARD (8)	SFCB	AGCB	HRRCB	CPCB
1	Prof. Emmanuel Tumusiime-Mutebile	8/8	N/A	N/A	N/A	N/A
2	Dr. Louis Kasekende	7/8	2/2	N/A	2/2	2/2
3	Mr. James Kahoza	8/8	2/2	6/7	2/2	2/2
4	Dr. William Kalema	6/8	1/2	6/7	N/A	2/2
5	Mr. Ibrahim. K. Kabanda	3/3	1/1	4/5	2/2	1/1
6	Ms. Josephine Okui Ossiya	5/5	1/1	2/2	N/A	1/1
7	Ms. Judy Obitre Gama	7/8	N/A	6/7	2/2	1/2
8	Mr. Keith Muhakanizi	5/8	2/2	1/2	N/A	N/A

Source: Bank of Uganda

Notes:

i. The Audit and Governance Committee of the Board held two meetings with the Chief Internal Auditor and another two with External Auditors.

ii. There were only three (03) Board Members on the Bank of Uganda Board from November 11, 2017 to March 07, 2018 when the new Board was inaugurated. Therefore, for a period of about four months, Board Meetings were not convened due to lack of quorum.

iii. Ms. Josephine Okui Ossiya was appointed a BoU NED with effect from February 18, 2018.

iv. Mr. Ibrahim K. Kabanda's term of office expired on November 10, 2017.

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 Committee considers human resource related policies and other staff matters and makes recommendations for ratification by the Board. The HRRCB meetings are held quarterly and ad hoc or special meetings may be convened as and when required.

3.6.2 Strategy and Finance Committee of the Board (SFCB)

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 SFCB ensures that the financial resources of the Bank are appropriately deployed to meet the strategic priorities of the institution. The meetings are held on a quarterly basis. Special meetings may be convened as and when necessary.

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 Committee provides oversight to the acquisition, utilisation, and monitoring of the Bank's capital projects such as Information Technology (IT), plant, machinery, construction, and major maintenance works among others; and makes recommendations to the Board. The meetings are held on a quarterly basis and adhoc / special meetings may be convened depending on the Committee's work programme.

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 and a representative of the External Auditors attend the Committee meetings. Meetings are held on a quarterly basis. The AGCB provides to the Board assurance to the effectiveness of utilisation of resources, internal controls, and risk management.

3.6.5 Remuneration of Non- Executive Directors

During the period July 2017 to June 2018, 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

Board performance assessment is intended to ensure continuous governance improvement through the identification of any skills gap and devising of a remedial training needs assessment and plan accordingly. In FY 2017/18, there was a Board Performance Assessment exercise and the outcome was presented to the Board on October 31, 2017.

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 continued providing oversight for the implementation of the Strategic Plan 2017-2022, now in its second year of roll-out. The plan has seven (7) Strategic Objectives namely,

   a. Increase external stakeholder confidence in the Bank of Uganda

   b. Enhance Price Stability.

   c. Enhance Financial Systems Stability.

   d. Enhance Financial Performance.

   e. Improve Efficiency of the Bank Processes.

   f. Strengthen Strategic Partnerships.

   g. Enhance Organisational Performance.

ii. 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.

iii. The Board exercised close oversight on the external fund managers in respect of the Foreign Assets 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.

iv. In response to the feedback from the public outreach activities undertaken as part of the Bank's 50th Anniversary Commemorations, the Bank strengthened its information inquiries and complaints resolution mechanism through the establishment of the Financial Consumer

Empowerment Mechanism / Section (FCEM/S). The purpose of the FCEM/S is to provide overall coordination to the Bank's stakeholder engagement process through the provision of information as well as resolution of complaints that may arise during that process and / or through the relationships that exist with the Supervised Financial Institutions (SFIs).

v. The 25th Joseph Mubiru Memorial Lecture titled "Ambition, Pragmatism, and Imagination – Rethinking the Role of the State in Economic Development" was conducted to facilitate a reflection by both Bank of Uganda and her stakeholders on matters pertinent to economic growth and transformation

3.6.8 Bank Management Committees

The Board of Directors delegates the day-to-day operations of the Bank to the Management Team. In the course of exercising this delegated authority, the Management Team has organised itself into Committees. The Management Committees such as Executive Committee of Management (EXCOM), Monetary Policy Committee (MPC), Strategy and Finance Committee (SFC), Financial Stability Committee (FSC), and Financial Markets Operations Sub-Committee (FMOS) amongst others to ensure coordinated policy formulation and implementation of Board decisions.

3.6.9 Corporate Social Responsibility

During the financial year 2017/18, the Bank of Uganda consolidated its efforts in Corporate Social Responsibility (CSR) when it established the Corporate Social Responsibility and Donations Policy and updated the associated guidelines. The purpose of the policy is to provide a framework within which the Bank may engage in CSR and Donations over and above its core mandate of "Fostering Price Stability and a Sound Financial System"; in addition to contributing to the nation's holistic and sustainable development.

In line with the new CSR and Donations Policy, the Bank promoted financial sector deepening as well as research to advance evidence based policy making through budgetary support to Capital Markets Authority (CMA), Institute of Certified Public Accountants (ICPAU), Uganda Securities Exchange (USE), Institute of Corporate Governance of Uganda (ICGU), Kabale University, and Makerere University Private Sector Foundation (MUPSF).

In addition, the Bank continued to extend funding to civil society organisations, faith based organisations, non-profit and community service organisations, and employee community service projects. The Bank also extended support to charitable organizations such as Rotary Clubs. The purpose of this CSR was to enhance holistic development of human livelihoods.

3.7 Risk Management Operations

The Chartered Institute of Internal Auditors (CIIA), United Kingdom, advocates a coordinated execution of governance, risk management, and internal controls. The CIIA notes that "effective governance activities consider risk when setting strategy while risk management relies on effective governance (e.g., tone at the top, risk appetite and tolerance, risk culture, and the oversight of risk management)."Furthermore, "effective governance relies on internal controls and communication to the board on the effectiveness of those controls".

The Board of Directors is accountable for Risk Management at the Bank of Uganda. This role is delegated to management which ensures smooth implementation of the risk management process. The Risk Management Committee (RMC) provides strategic direction to the Bank's risk management operations while Risk and Compliance Department (RCD) facilitates and co-ordinates the Bank wide risk management process. Risk management at BoU covers the areas of financial, credit, market, liquidity, compliance, and operational risk management.

3.7.1 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 the impairment of financial assets as part of the process to align with new International Financial Reporting Standard (IFRS) 9, *Financial Instruments* as at July 01, 2018.

3.7.2 Credit Risk

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.

3.7.3 Country and Sovereign Risk

Bank of Uganda's foreign reserves are mainly invested in G10 countries due to the countries' low risk and long term economic stability. The Bank's external fund managers who are allowed a limited level of investment in emerging markets were exposed to geo-political developments in the Middle East, and the Korean Peninsula which had some impact on overall sovereign risks. While the markets adjusted to these developments, some other factors like the long term impact of Brexit remain uncertain as negotiations are still ongoing between the United Kingdom (UK) and the European Union (EU). Overall, the risks are within Bank of Uganda's tolerance limits.

3.7.4 Counterparty Default Risk

As reported in FY 2016/17, improvements in the credit profiles of most counterparties where the Bank invests were registered during the financial year ended June 30, 2018. This was attributed to a continued stern regulatory regime that requires Banks to have additional capital and hold more liquid assets in their balance sheets so as to minimize their risk exposures.

3.7.5 Market Risk

Market risk focuses on the downside effects on the portfolio brought about by the fluctuation in the value of financial instruments due to changes in their market prices from time to time. Market risk is categorized into foreign exchange risk and interest rate risk.

3.7.5.1 Foreign Exchange Risk

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

During the financial year, the CAD and AUD depreciated against the United States Dollar (USD) but the corresponding unrealised losses were offset by the appreciation of the liability currencies; the British Pound Sterling (GBP), Euro and Japanese Yen (JPY), against the United States Dollar. Management took a decision to review the AUD and CAD investments given that their respective interest rates had converged to those of the USD-the base numeraire (the currency in which the value of Uganda's forex investments are expressed), and maintaining them would have minimal benefit to the Bank's portfolio.

3.7.5.2 Interest Rate Risk

The Bank managed interest rate risk by adhering to the interest risk tolerance limits and deviation margins as stipulated in the reserve management policies and guidelines.

Interest rate risk exposure increased following the rising and an indication of further rising of interest rates by the US Federal Reserve Bank, Bank of England, and Bank of Canada. 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.

3.7.6 Liquidity Risk

In its operations, BoU's liquidity refers to the availability of cash and cash equivalents financial assets used 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 therefore refers to the unavailability of these instruments to meet the Bank's day-to-day requirements.

During the financial year ended June 30, 2018, the level of reserves in the liquidity tranche was within the recommend range as defined in the strategic asset allocation. The additional measures the Bank also uses to cushion the sufficiency of liquidity under stressed conditions were also within the recommended ranges during the year.

In Financial Year 2018/19, the financial risk profile of the Bank is expected to decline steadily following a consistent recovery in the markets where the Bank invests, and increasing of the investment space by approving more investment banks. This is expected to strengthen the credit position of BoU.

3.7.7 Compliance Risk

According to the Basel Committee on Banking Supervision April 2005 paper titled Compliance and the Compliance Function in Banks, compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its banking activities. Bank of Uganda has internal policies and procedures to ensure that it complies with relevant laws and regulations that are applicable to its activities.

Scanning of the current legal and regulatory environment was carried out. A database (or regulatory universe) of all applicable laws, regulations and standards that the Bank needs to adhere to, was updated. Compliance requirements or obligations (compliance plans) of the different business units were identified and also updated with new and/or emerging compliance requirements to ensure completeness of the regulatory universe. The departmental compliance plans guide monitoring and reporting of compliance issues.

The Bank continued monitoring the level of compliance by business units or departments with the applicable laws and regulations, in line with the compliance management policy and framework. Compliance monitoring was carried out in the various business units to ascertain the compliance status and ensure adequate compliance with the relevant laws, regulations and standards, and gaps were highlighted. The departments subsequently implemented mitigating (or corrective) actions to ensure compliance with the requirements or obligations. Quarterly reports were made to the Risk Management Committee. Staff were sensitized on various compliance issues in order to; promote and consolidate the compliance culture in the Bank as well as integrate compliance in the bank's business activities.

Benchmarking was carried out in the Risk Management and Compliance Department (Compliance Division) of the South African Reserve Bank in Pretoria, South Africa. The purpose of the benchmarking exercise was to further improve the compliance monitoring program of the Bank.

3.7.8 Operational Risk

Operational risk is inherent in every aspect of the Bank's business and as such, management of the risk is an essential part of the day to day operations of the Bank. In order to effectively manage operational risk, the Bank has in place Operational Risk governance structures at all levels starting from individual staff to Executive Management. These structures assist in operational risk assessment, incident management, evaluation, and treatment, monitoring and reporting. Business units or departments are charged with ownership of risks in their respective departments, and these are recorded in the departmental risk profiles which in turn when consolidated form the corporate risk profile for the Bank.

The Bank has in place strong internal control systems and robust Business Continuity (BCP) measures to ensure resilience of Bank's time critical business processes. During the FY 2017/18, four Critical Business processes were successfully tested at the Business Resumption Site (BRS). As part of Business Continuity strategy and in response to some of the recommendations arising from the test exercise, Management has embarked on the journey to relocate the existing BRS to a better location.

During FY 2017/18, sensitization of staff on risk management continued at departmental and management level. The sensitization was aimed at inculcating a continuous healthy corporate risk culture and value system. A risk awareness week (RIMAW) was observed and a Risk Management Town hall meeting for all staff was also held.

In light of the increasing Cybersecurity threats, the Bank hosted Cyber security experts who conducted a Cyber Security awareness workshop for all Directors of the Bank. A regional Cyber Security Strategy and road map has been developed by East African Community Monetary Affairs Committee (EAC-MAC). The EAC-MAC is patronized by Partner States Central Banks from all the six (6) countries of EAC. The regional Cyber Security Strategy and road map is currently being harmonized with the Bank's Cyber security efforts. The Bank will continue to benchmark with regional and other Central Banks to further improve the Operational Risk Management regime.

3.8 Internal Audit Operations

In accordance with the principles of corporate governance, an independent Internal Audit function exists in the Bank and reports directly to the Board of Directors. The Bank's Internal Audit Directorate continued to provide independent assurance through the conduct of risk-based audits in line with the Annual Work plan approved by Audit and Governance Committee of the Board (AGCB). The audit engagements carried out during the year assessed the efficiency of resource allocation, governance effectiveness and risk management and control processes implemented across the Bank.

Leveraging of strategic partnerships remains central to ensuring that the Directorate has the requisite technical capacity for the execution of its mandate. Consequently, the Directorate was involved in a number of regional and international collaborations and continues to work with the External Auditors in the course of their engagement.

An external assessment of the Internal Audit function in the Bank was carried out during the year. The external assessment provided an evaluation of the efficiency and effectiveness of the audit processes and suggested improvements in line with the international professional practices framework (IPPF) standards.

Based on the assessments conducted by the Internal Audit Directorate, the Bank maintained a satisfactory and effective internal control system for the achievement of the objectives of the Bank as outlined in its 5-year Strategic Plan for the period 2017-2022.

4 Economic Developments and Prospects

4.1 External Economic Environment

4.1.1 Global Economic Activity

Global economic growth strengthened in 2017 relative to 2016 and is expected to strengthen further in 2018 and 2019. In 2017, global economic activity expanded by 3.7 percent, up from 3.2 percent in 2016, and is projected at 3.9 percent in 2018 and 2019. Economic activity in Advanced Economies (AEs) expanded by 2.4 percent in 2017, up from 1.7 percent in 2016, driven by stronger growth in the United States (US), Euro zone, Japan, and Canada. In particular, growth in the U.S was stronger in 2017, at 2.3 percent, up from 1.5 percent in 2016, and is projected to increase to 2.9 percent in 2018, in part buoyed by higher projected external demand conditions and the effects of the December 2017 hefty tax cuts which are expected to encourage more investment and spending.

In the Euro Zone, growth is estimated to have risen to 2.4 percent in 2017 from 1.8 percent in 2016 and is forecast at 2.2 percent in 2018, driven mainly by accommodative monetary policies, and strong domestic and external demand conditions. In Japan, growth has been estimated at 1.7 percent in 2017, up from 1.0 percent in 2016, supported by higher external demand, although it is expected to decelerate to 1.0 percent in 2018, on the back of tightening fiscal conditions and moderating export growth. On the other hand, growth in the U.K decelerated by 0.1 percentage point (PP) to 1.7 percent in 2017, from 1.8 percent in 2016 and is projected to decelerate further to 1.4 percent in 2018, on account of negative effects of the Brexit process.

In Emerging Market and Developing Economies (EMDEs) growth was uneven among member country groups and is estimated to have risen to 4.7 percent in 2017, from 4.4 percent in 2016, and projected at 5 percent in 2018. Growth in 2017 was supported by a benign global financial environment, recovery in AEs and establishment of new infrastructure in China. Growth among EMDEs was mainly driven by Emerging and Developing Asia. Growth in China and India expanded by about 7 percent in 2017, with projections of even stronger growth in India in 2018 and 2019 at 7.3 and 7.5 percent, respectively, on account of buoyant external demand conditions. In Latin America growth, on the contrary, remained weak although it is estimated to have turned positive at 1.3 percent in 2017 from minus 0.6 percent in 2016, and is anticipated to pick up to 1.6 percent in 2018, reflecting the improving outlook for Brazil, boosted by strong U.S. demand, higher commodity prices and easier financial conditions. Growth in Brazil is estimated to have recovered to 1.0 percent in 2017, from minus 3.5 percent in 2016 and is projected to firm to 1.8 percent in 2018.

In sub-Saharan Africa (SSA), growth is estimated to have increased to 2.8 percent in 2017, up from 1.5 percent in 2016 and is projected to improve further to 3.4 percent in 2018, supported by recovery in commodity exporting economies, largely driven by stronger commodity prices. Other factors supporting SSA growth going forward include public infrastructure investment, positive external demand conditions and improved business confidence in large member countries such as South Africa. Global growth projections are presented in Table 3.

Table 3: Global Growth Projections 2016-2019

	2016	2017	2018	2019
World	**3.2**	**3.7**	**3.9**	**3.9**
Advanced Economies	**1.7**	**2.4**	**2.4**	**2.2**
United States	1.5	2.3	**2.9**	**2.7**
Euro Area	1.8	2.4	**2.2**	**1.9**
Japan	1.0	1.7	**1.0**	**0.9**
United Kingdom	1.8	1.7	**1.4**	**1.5**
Emerging Market & Developing Economies	**4.4**	**4.7**	**4.9**	**5.1**
Russia	-0.2	1.5	**1.7**	**1.5**
Brazil	-3.5	1.0	**1.8**	**2.5**
China	6.7	6.9	**6.6**	**6.4**
India	7.1	6.7	**7.3**	**7.5**
Sub-Saharan Africa	**1.5**	**2.8**	**3.4**	**3.8**
Nigeria	-1.6	0.8	**2.1**	**2.3**
South Africa	0.6	1.3	**1.5**	**1.7**

Source: IMF, WEO Update July 2018

Although global growth is projected to strengthen in 2018 and 2019, there are major risks that could positively and negatively impact the outlook. While risks are broadly balanced in the near-term, they are skewed to the negative ones over the medium-term. Major negative influences include the imminent shift to inward-looking trade policies amplified by the tariff war between the U.S. and China, geopolitical tensions and likely tightening of global financial conditions on account of monetary tightening in AEs. These risks, if they materialise, are likely to restrict global trade and hurt economic activity.

4.2 Global Inflation and Commodity Prices

4.2.1 Global Inflation

Global inflation edged-up in 2017 compared to 2016, driven mainly by anticipated stronger global demand and recovery in international commodity prices. Inflation in AEs rose to 1.7 percent, up from 0.8 percent in 2016 and is projected to rise further to 2.2 percent in 2018. Already, during the first half of 2018, inflation rose towards the central banks' target, driven, in large part, by crude oil supply shortfalls. In the U.S. and the UK, inflation rose to 2.9 percent and 2.3 percent in June 2018, respectively, surpassing the respective central bank's target for inflation of 2 percent. In the Euro Area, inflation edged up to the European Central Bank (ECB) target for inflation of 2 percent in June 2018, from 1.5 percent in 2017. Relative to the central banks' targets, the rise in headline inflation has strengthened the case for contractionary monetary policy. Contractionary monetary policy choices are likely to tighten global financial market conditions going forward, with implications for capital flows and exchange rate stability especially in EMDEs.

Inflation in EMDEs is estimated to have decelerated to 4.0 percent in 2017, down from 4.3 percent in 2016, but is projected to rise to 4.4 percent in 2018, driven by stronger international commodity prices and exchange rate pressures. As of June 2018, headline inflation both in Brazil and South Africa rose to 4.4 percent, from 2.9 percent and 4.3 percent, respectively in January 2018, although it was somewhat stable in China and Russia. Inflation developments in selected countries are shown in Table 4.

Table 4: Inflation Developments in Selected Countries and Euro zone 2015-2018

Frequency	Annual			Quarterly				Monthly		
	2015	2016	2017	Q3-2017	Q4-2017	Q1-2018	Q2-2018	Apr-2018	May-2018	Jun-2018
Country										
Japan	0.8	-0.1	0.5	0.6	0.6	1.3	0.6	0.6	0.7	0.7
United Kingdom	0.4	1.0	2.6	2.7	2.8	2.5	2.2	2.2	2.3	2.3
United States	0.1	1.3	2.1	2.0	2.1	2.2	2.7	2.5	2.8	2.9
Euro area	0.0	0.2	1.5	1.4	1.4	1.3	1.7	1.3	1.9	2.0
Brazil	9.0	8.7	3.4	2.6	2.8	2.8	3.3	2.8	2.9	4.4
China	1.4	2.0	1.6	1.6	1.8	2.2	1.8	1.8	1.8	1.9
India	5.9	4.9	2.5	2.4	3.7	4.7	4.0	4.0	4.0	3.9
Russia	15.5	7.0	3.7	3.4	2.6	2.3	2.4	2.4	2.4	2.3
South Africa	4.5	6.6	5.2	4.6	4.5	3.9	4.3	4.3	4.3	4.4

Source: OECD Statistics

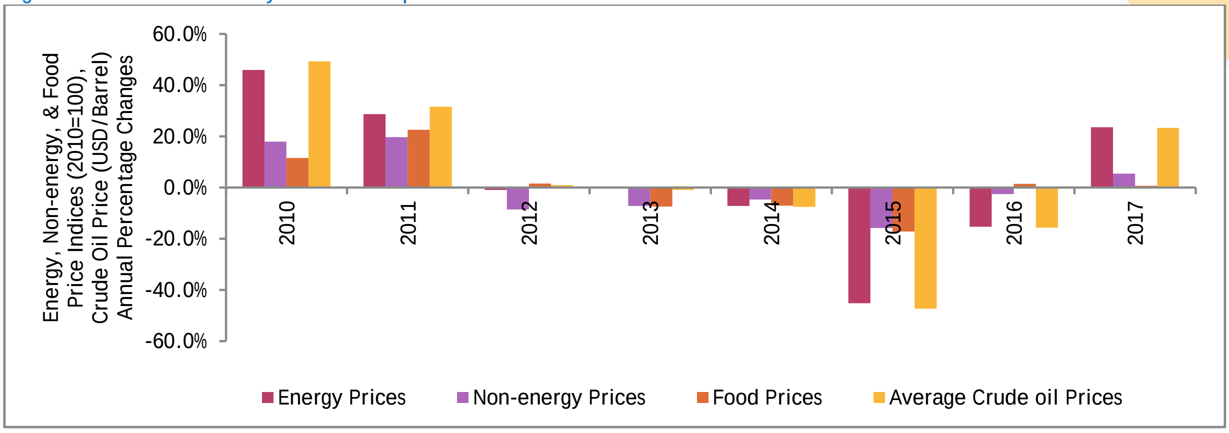
The rising international crude oil prices remain the main driver of global inflation and the outlook remains for higher inflation, although the June 2018 agreement between Organization of the Petroleum Exporting Countries (OPEC) and Non-OPEC producers to raise oil production by 1 million barrels per day may somewhat moderate some of the pressure.

4.2.2 Global Commodity Prices

Commodity prices strengthened in 2017 compared to 2016, supported largely by recovery in global economic activity and efforts by OPEC to constrain output in support of crude oil prices. Average crude oil prices rose by 23.3 percent in 2017, up from the decline of 15.6 percent in 2016. Commodity prices have continued to rise so far in 2018, with average crude oil prices increasing by 7.2 percent in June 2018 to USD 71.1 per barrel, compared to their levels in January 2018, driven mainly by supply shortfalls. The U.S.-Iran tensions have also contributed to the recent increase in crude oil prices. Non-energy prices, on the other hand, remain relatively stable, registering only modest increases.

The outlook remains for higher commodity prices, with oil prices projected to increase by 33 percent in 2018, up from the increase of 23.3 percent in 2017, reflecting oil supply shortfalls and renewed tensions between the U.S. and Iran. Crude oil prices are however expected to decline by about 1.8 percent in 2019, on account of increasing U.S. shale production. Non-fuel prices are projected to increase by 6.0 percent in 2018, which is lower relative to 6.8 percent increase in 2017. Figure 1 shows global commodity price developments.

Figure 1: Global Commodity Price Developments



Source: World Bank

4.3 Global Financial Markets

Global financial markets remained relatively stable during 2017, although financial conditions tightened somewhat in the first half of 2018 as a number of AEs continued to tighten monetary policies and in anticipation of further tightening owing to the pick-up in AE inflation above central bank targets. Nonetheless market expectations remain for gradual increase in interest rates, supported by forward guidance from the Central Banks.

The U.S. Federal Reserve Board, as well as the Bank of England, continue to underscore the gradual pace with which they will conduct further adjustments to their policy interest rates, while the ECB also announced that it will taper its asset purchase program to Euros 15 billion per month in October 2018, from the current level of Euros 30 billion per month, and end the program in December 2018. This forward guidance is expected to significantly support global financial market stability through 2018.

Following the overall tightening of monetary policies especially in AEs, and the general pickup in inflation expectations, long-term bond yields in key global financial markets increased during the first half of 2018, compared to the last half of 2017. Among AEs, average yields on 10-year government bonds, increased by 0.53 percentage points (PPs), 0.19 PPs and 0.13 PPs to 2.84 percent, 1.43 percent and 0.55 percent, respectively in the U.S., the UK, and the Euro Zone, during the first half of 2018, compared to the second half of 2017. Ten (10) year government bond yields however remained unchanged in Japan over the same period.

Similarly, among EMDEs, 10-year government bond yields rose, supported by the anticipated tightening of monetary policies particularly by AE central banks and projected pickup in inflation following the recovery in international commodity prices. During the first half of 2018, average 10-year government bond yields in key EMDEs including India, China and Brazil rose by 0.88 PPs, 0.03 PPs and 0.09 PPs, respectively, to 7.63 percent, 3.78 percent and 10.06 percent, compared to half of 2017. Bond yields however declined in Russia and South Africa.

In the currencies market, the U.S. dollar weakened against most major world currencies during 2017/18, compared to 2016/17. The U.S. dollar index - which measures the strength of the U.S. dollar against a basket of seven major world currencies, declined by 5.3 percent in 2017/18, compared to the increase of 0.9 percent in 2016/17. However, comparing July 2018 and January 2018, the U.S. dollar has strengthened over the period, with the U.S. dollar index increasing by 4.4 percent.

Market expectations remain for gradual increase in global interest rates owing to monetary policy normalization in AEs particularly in the U.S. and the UK, as well as the pickup in inflationary pressures which strengthens the case for faster monetary policy normalization.

4.4 Global Trade

In line with strengthening global economic activity, growth in the volume of world trade picked up in 2017, although it is expected to moderate somewhat in 2018. In 2017, world trade is estimated to have expanded by 5.1 percent, compared to 2.2 percent in 2016, mainly supported by increase in EMDEs' import and export trade. World trade growth is however projected to moderate to 4.8 percent in 2018 and further to 4.5 percent in 2019, largely on account of anticipated negative effects of current trade tensions and declining support for global economic integration, mainly in AEs.

The volume of EMDE trade in 2017 is estimated to have increased by 6.7 percent compared to 2.2 percent in 2016, mainly on account of a rebound in investment in commodity exporting countries. However, it is expected to moderate to 5.7 percent in 2018. In AEs, trade is estimated to have grown by 4.2 percent in 2017 from 2.2 percent in 2016 and is projected to remain stable at 4.3 percent in 2018. Table 5 shows trends in growth of global trade.

Table 5: Global Trade Growth

	2016	2017	2018 (Proj)	2019 (Proj)
World trade	2.2	5.1	4.8	4.5
Advanced economies	2.2	4.2	4.3	4.0
Emerging economies	2.2	6.7	5.7	5.4

Source: IMF WEO July 2018 Update

Risks to the global trade outlook are tilted to the downside, and arise mainly from increasing consideration of a shift to protectionism and declining support for global economic integration. Other risks stem from volatility in commodity markets and a further tightening of global financial conditions.

4.5 Implications for the Uganda Economy

The global economic environment will continue to influence Uganda's economic performance given her integration into the global economy by influencing commodity prices, the volume and direction of international capital flows, and trade. 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 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 triggered by contractionary monetary policies across AEs and potential disruption to consumer and business confidence arising from non-economic factors such as geo-political tensions, domestic political strife and terrorism concerns.

The external economic environment remains considerably uncertain. A shift to protectionism in a number of leading economies, amplified by the tariff war between the U.S. and China and reversal of accommodative monetary policies in AEs could in general disrupt and 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 the Euro zone, which is a major trading partner for Uganda and a pick-up in SSA, which is a destination to more than 60 percent of Uganda's exports. The recovery in the Euro zone is expected to have a positive impact on Uganda's export earnings, remittances as well as FDI inflows.

Furthermore, there is a possibility of tightening of global financial conditions should a faster-than-expected tightening of monetary policies in AEs materialize. This could trigger renewed financial markets volatility and sporadic portfolio adjustments – and could heighten exchange rate depreciation pressures in vulnerable economies, including Uganda with a potential to drive up domestic inflation and run down foreign exchange reserves.

In addition, the geopolitical risks mainly in 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 addition, increased protectionist policy considerations particularly in AEs remain potential sources of disruption to global trade and output. On a positive side, the pick-up in global economic activity and recovery in commodity prices could lead to higher export receipts and increased investments, both of which are favourable for growth.

4.6 Domestic Economic Developments and Prospects

4.6.1 Monetary policy and Operations

The primary objective of Bank of Uganda's (BoU's) monetary policy is to achieve price stability (low and stable inflation), defined by a medium term core inflation target of 5 percent. BoU maintained the Inflation Targeting (IT) monetary policy framework in guiding monetary policy operations. It adjusted its policy rate - the Central Bank Rate (CBR) - in line with the inflation outlook, and to signal its monetary policy stance.

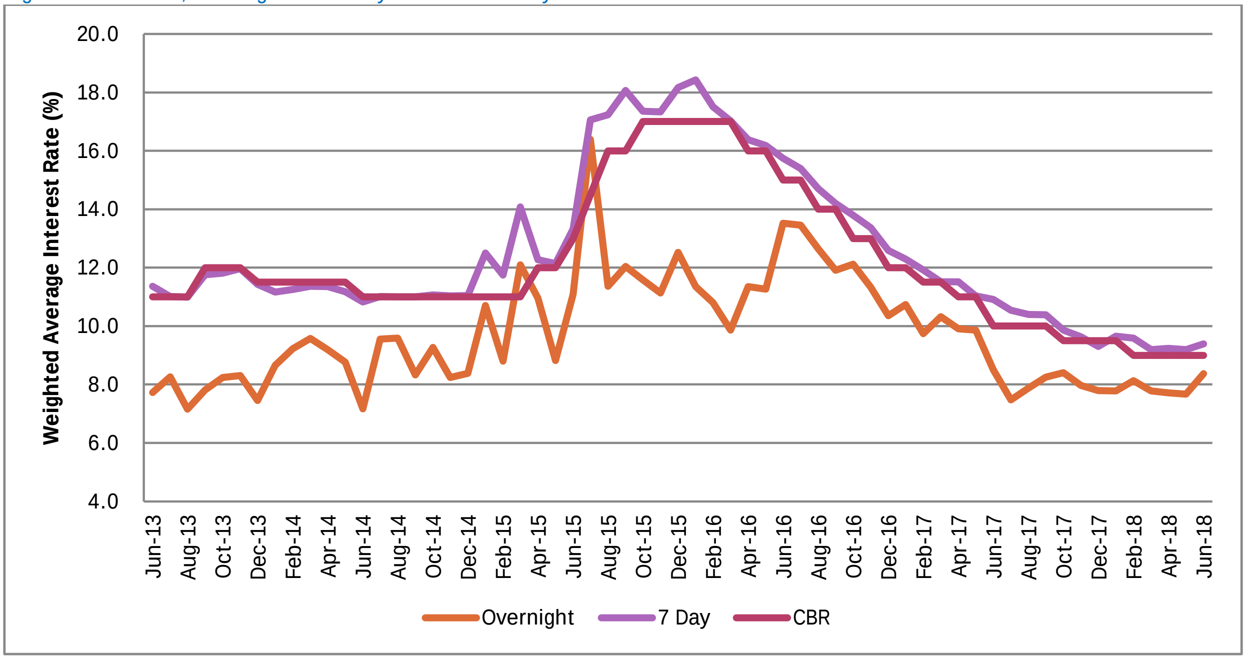
During FY 2017/18, headline and core inflation remained relatively subdued, averaging 3.4 and 2.7 percent, respectively compared to the 5.7 percent and 5.1 percent recorded the preceding year. The low inflation registered during the year was largely a result of the relatively stable exchange rate, favourable weather conditions, which led to increased food supplies and weak aggregate demand notwithstanding the depreciation pressures experienced towards the end of the year.

In line with the inflation outlook, BoU considered it appropriate to maintain a relatively eased monetary policy stance to support the recovery in credit growth and economic activity. Therefore, BoU cautiously eased monetary policy throughout 2017/18, reducing the CBR by a cumulative 1.0 pp from 10 percent in July 2017 to 9.0 percent in June 2018.

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 FY 2017/18, the net effect of the Deposit auctions was an injection of UGX 747.5 billion, with an outstanding amount of UGX 606.6 billion at end of June 2018. Over the same period, the net effect of the REPO instrument was a withdrawal of UGX 97.9 billion, with UGX 973.8 billion outstanding at the end of June 2018. As at June 30th 2018, the entire stock of recapitalization securities had been sold.

The 7-day Weighted Average Interbank (WAI) money market rate remained relatively stable and largely in line with the developments in the CBR. In FY 2017/18, the 7-day monthly WAI rate averaged 9.7 percent, from 12.8 percent in FY 2016/17. Developments in the overnight, the 7-day interbank money market rate and the CBR are shown in Figure 2**.**

Figure 2: The CBR, Overnight and 7-day Interbank Money Market Rates



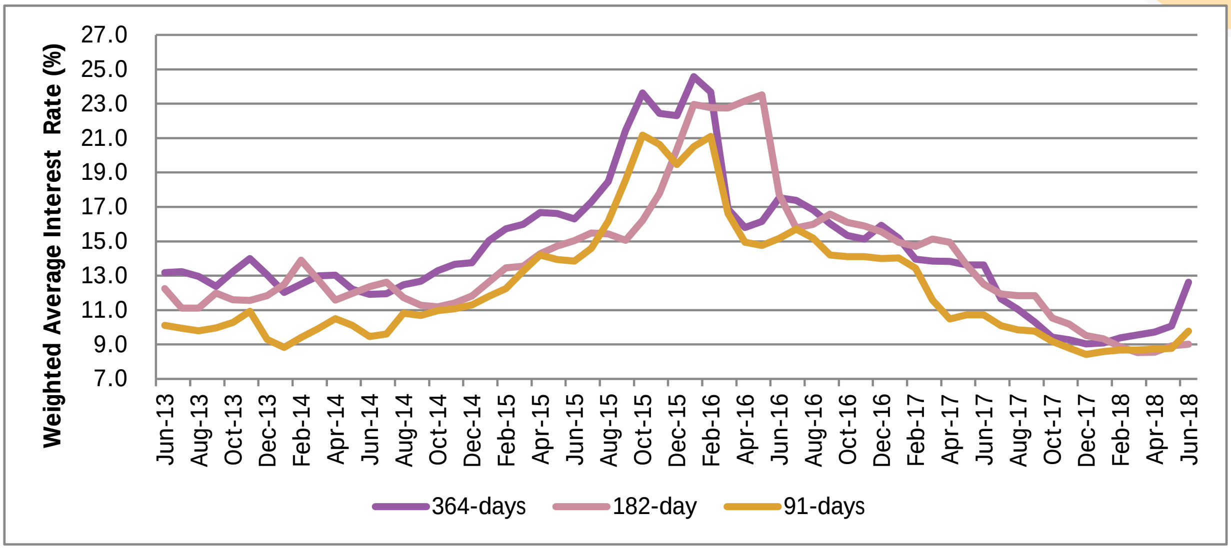
Source: Bank of Uganda

4.7 Interest Rates

4.7.1 Yields on Treasury Bills and Bonds

In line with Government's financing requirements, the BoU continued to issue Treasury bills (T-bills) and Treasury bonds (T-bonds) in FY 2017/18. Yields on government securities for the 91-day, 182-day and 364-day T-bills continued to decline to 9.1 percent, 9.4 percent and 10.1 percent respectively during FY 2017/18 compared to 13.2 percent, 14.1 percent and 15.1 percent respectively in FY 2016/17. Similarly, the yields on the treasury bonds declined across the board to 11.8 percent, 12.2 percent, 13 percent, 14.8 percent and 15.0 percent for the benchmark 2-year, 3- year, 5-year, 10-year and 15-year T-bonds respectively compared to 15.7 percent, 15.8 percent, 16.2 percent, 16.7 percent and 16.8 percent respectively in the previous year. The evolution of the T-Bill rates over the past five years is shown in Figure 3.

Figure 3: Yields on Treasury Bills



Source: Bank of Uganda

4.7.2 Lending and Deposit Rates

In FY 2017/18, the shilling denominated lending rates declined to an average of 20.3 percent in FY 2017/18 from 22.6 percent in the previous year. In addition, as at June 2018, shilling denominated lending rates stood at 17.7 percent down from 21.1 percent in June 2017. The drop in lending rates is partly attributed to the accommodative monetary policy stance by the BoU since April 2016, where the CBR stood at 16 percent and by June 2018, it had declined to 9 percent.

While the lending rates have declined, they remain elevated reflecting, in part, the structural rigidities which have kept the cost of doing business in the financial sector high. Nonetheless, asset quality has improved. Relative to June 2017, the ratio of Non-Performing Loans (NPLs) to total gross loans declined to 4.4 percent as of June 2018, from 6.2 percent in the previous period.

The time deposit rates averaged 8.7 percent during FY 2017/18, opening and closing the year at 9.3 percent, which is much lower than 11.4 percent in FY 2016/17. Consequently, the spread between lending and deposit rates ranged between 8.4 and 13 percent over the same period. Overall, the spread increased marginally to 11.5 percent in FY 2017/18, up from 11.2 percent in FY 2016/17. The weighted average lending rate on foreign currency denominated loans averaged 7.7 percent in FY 2017/18 from 8.9 percent the previous year, and the foreign currency spread averaged 5.0 percent over the financial year, from a respective 5.4 percent in the previous year. Developments in lending and deposit rates are shown in Table 6.

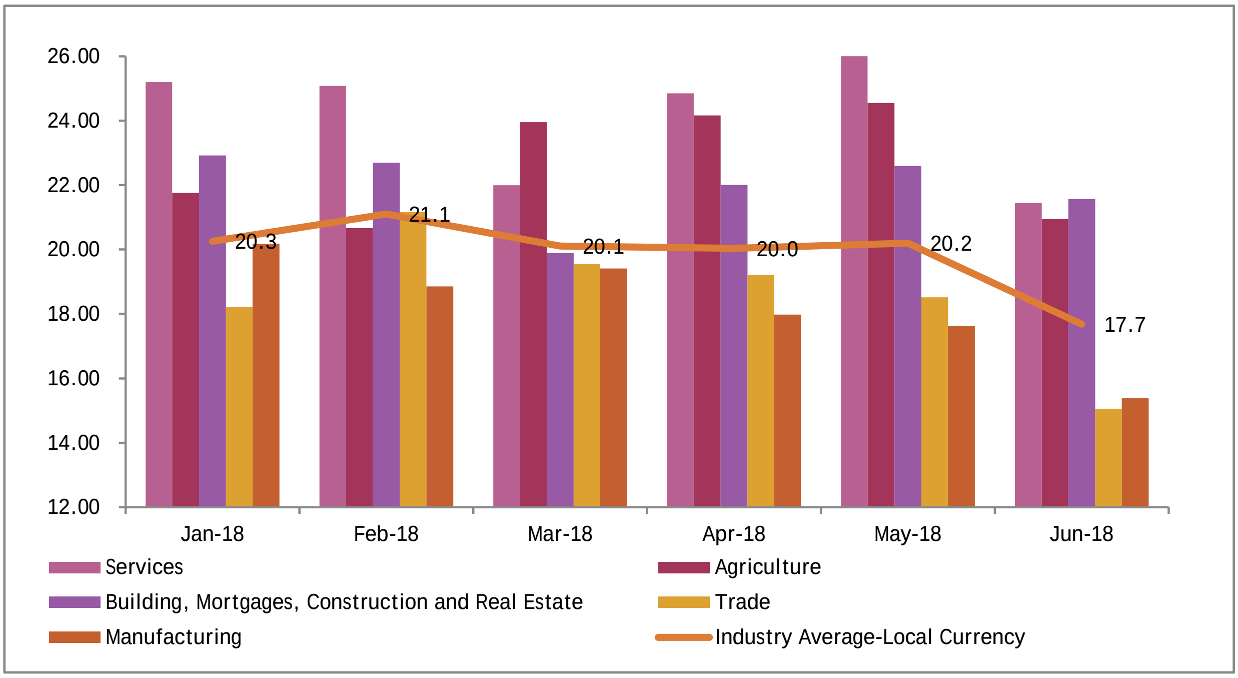
Table 6: Commercial Banks' Interest Rates

		Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18
Local Currency	Lending (UGX)	22.72	21.55	22.34	23.54	21.11	17.68
	Deposit (WARD)	2.60	2.42	2.69	4.11	2.48	2.59
	Demand	1.51	1.79	1.50	1.90	1.60	1.26
	Saving	3.12	2.31	3.26	3.71	2.34	3.51
	Time	12.26	9.82	10.39	12.24	8.86	9.28
	Spread	10.46	11.73	11.96	11.30	12.26	8.40
Foreign Currency	Lending (USD)	10.11	9.03	9.87	9.47	8.15	8.36
	Deposit (WARD)	1.37	1.49	1.32	1.26	1.63	1.55
	Demand	1.01	0.96	0.96	0.96	0.99	1.00
	Saving	1.66	1.52	1.51	1.49	1.68	1.83
	Time	4.52	4.31	3.97	3.28	3.54	2.53
	Spread	5.59	4.72	5.91	6.20	4.60	5.82

Source: Bank of Uganda

In terms of sectoral interest rates, Agriculture, Building, Mortgages, Construction and Real Estate, Personal and Household Loans attracted the 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

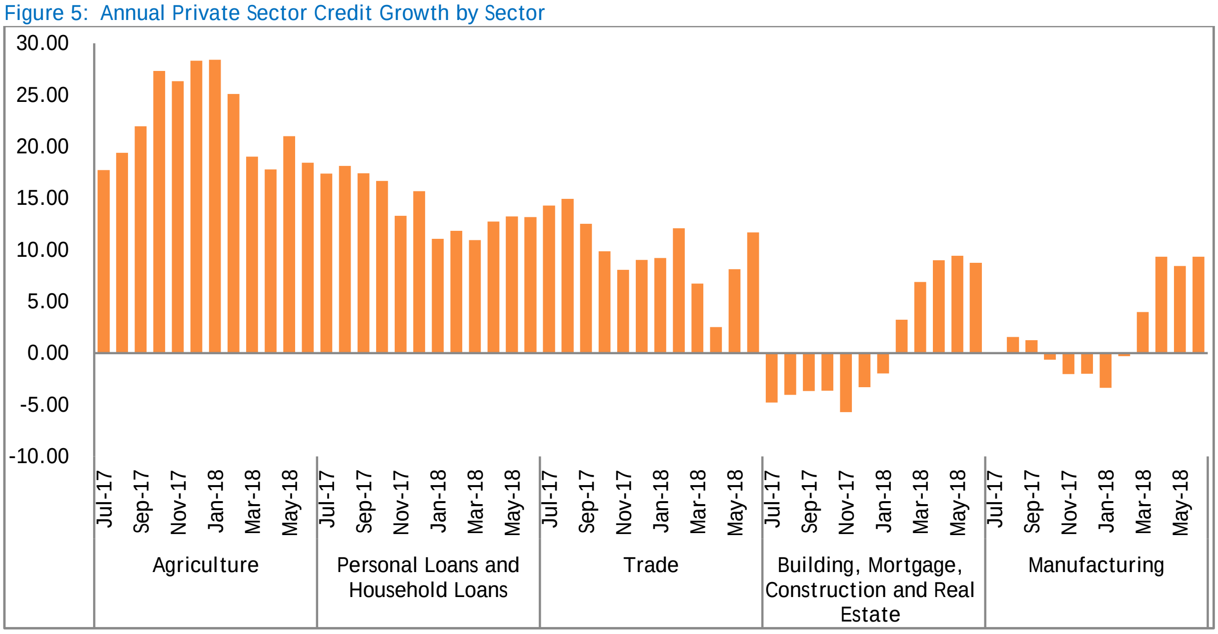
4.8 Banks Credit and Monetary Aggregates

4.8.1 Credit to the Private Sector

Growth in Private Sector Credit (PSC), although still weak, showed signs of recovery in FY 2017/18 relative to FY 2016/17, as monetary policy remained accommodative over the period under review. PSC grew on average by 6.5 percent in FY 2017/18, which is higher than 4.2 percent in the previous year. Similarly, by end June 2018, PSC had increased by 10.5 percent compared to 5.6 percent in the previous period. However, the annual PSC growth, net of valuation changes on account of exchange rate movements, was 5.3 percent in FY 2017/18, compared to 3.3 percent in FY 2016/17. The improvement in PSC growth is attributed to the easing of monetary policy, improved economic conditions and reduction in supply-side constraints as NPLs that declined. The sluggishness in the same growth is in part due to the banks' present risk aversion given high default rates in the recent past.

Sector-wise, growth in PSC was mainly driven by growth of credit to the Agriculture, Personal and Household loans, and Trade, which together constitute 50 percent of the total PSC. Credit growth to the Manufacturing, Building, Mortgage, Construction and Real Estate sectors, which together account for 33 percent of the total credit, has notably recovered, having been negative for more than half of the financial year (Figure 5). The trend, if sustained, is likely to boost private investment and consumption, which should in turn boost growth.

Figure 5: Annual Private Sector Credit Growth by Sector

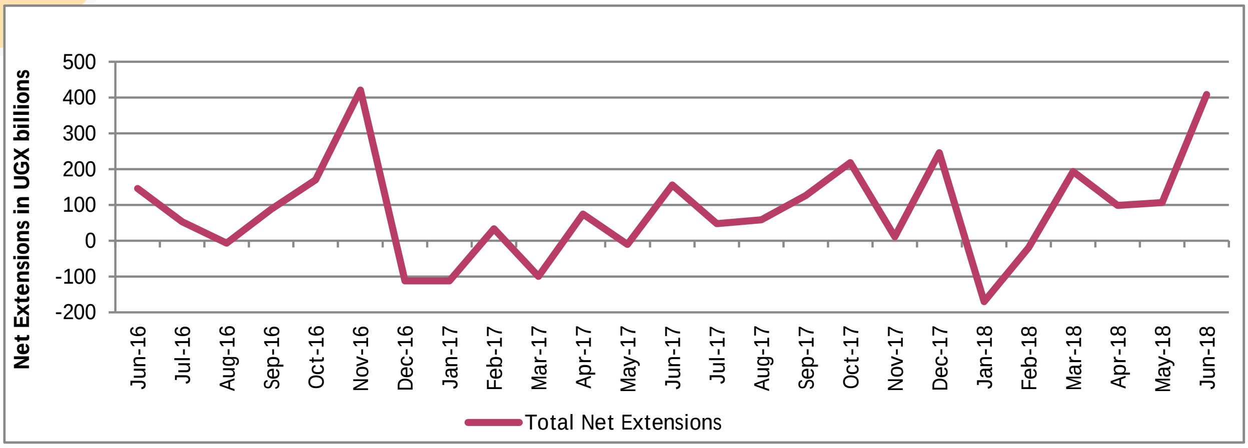


Source: Bank of Uganda

4.8.2 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 in FY 2017/18 increased to UGX 1,106.3 billion, from UGX 714.6 billion in FY 2016/17, and from minus UGX 200.4 billion in FY 2015/16. The continued recovery in credit extension was in part due to the monetary policy easing and subsequent reduction in lending rates.

Figure 6: Net Extensions of Loans by Banks

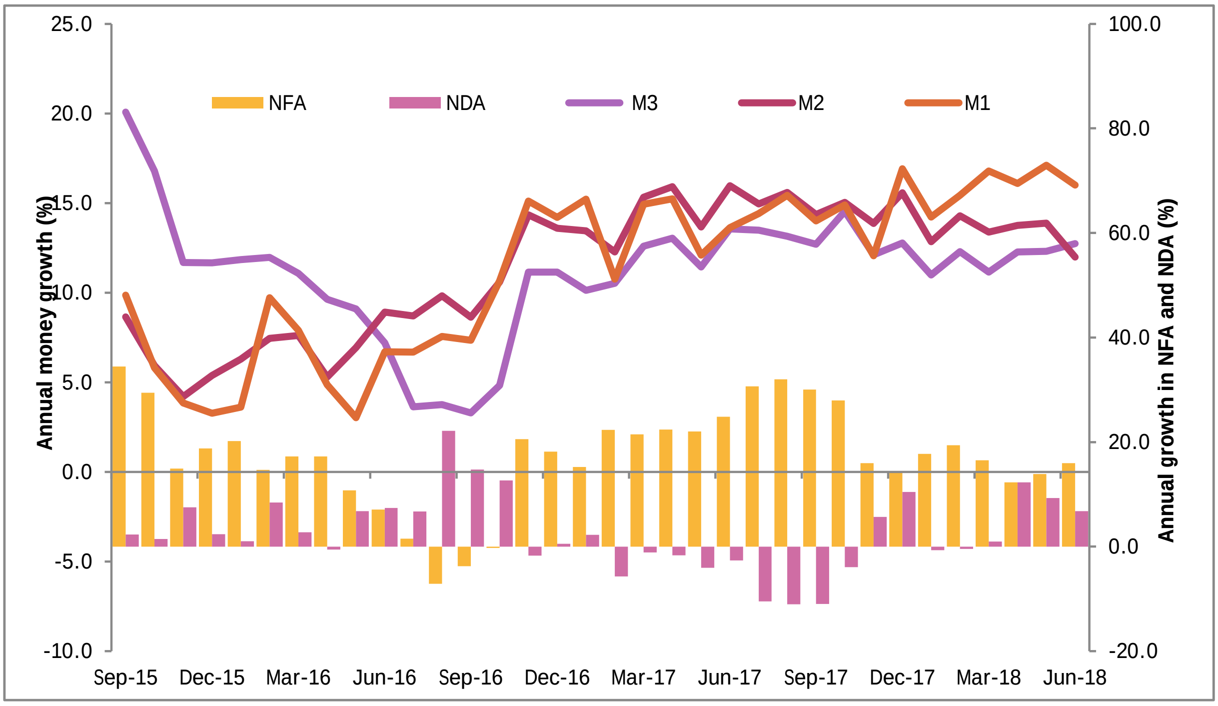


Source: Bank of Uganda

4.8.3 Monetary Aggregates

Reflecting in part the continued monetary policy easing, annual growth in monetary aggregates further expanded during FY 2017/18. Figure 7 depicts the trend in monetary aggregates in the past three years.

Figure 7: Annual Percentage Growth of Monetary Aggregates



Source: Bank of Uganda

Annual growth in narrow money (M1 – which includes currency in circulation and demand deposits) and broad money (M2 – which in addition to M1 includes time and savings deposits), stood at 15.3 and 14.1 percent respectively, in FY 2017/18, from the respective growth rates of 12.0 and 12.7 percent in FY 2016/17. Demand as well as time and savings deposits grew by 17.8 and 12.5 percent, respectively, from growth rates of 15.9 and 13.8 percent, in FY 2016/17.

Annual growth in M3 (which includes M2 and foreign currency deposits) accelerated to 12.5 percent, from 9.1 percent in FY 2016/17 due to a rise in foreign currency deposits. Annual growth in foreign currency deposits picked up at 8.9 percent in FY 2017/18 from 1.8 percent in FY 2016/17. From the asset side, net foreign assets (NFA) have continued to drive the growth in M3, contributing 12.5 percent, compared to 0.01 percent from net domestic assets (NDA). On the liability side, growth in M3 was mainly driven by shilling deposits, which contributed 7.8 percent.

4.9 Domestic Inflation

4.9.1 Inflation Developments

Inflation remained subdued in FY 2017/18, with headline and core inflation averaging 3.4 percent and 2.7 percent respectively compared to 5.7 percent and 5.1 percent, recorded in 2016/17. The decline in inflation was partly due to the favourable weather conditions, stable exchange rate and subdued aggregate demand. On the contrary, annual headline inflation registered a 0.5 percentage point increase from 1.7 percent in May 2018 to 2.2 percent in June 2018, while annual core inflation declined to 0.8 percent from 1.1 percent over the same period. Developments in domestic inflation are shown in Table 7.

Table 7: Developments in Domestic Inflation

	2013/14	2014/15	2015/16	2016/17	2017/18
Headline Inflation	5.3	2.9	6.6	5.7	3.4
Core	4.7	3.2	6.7	5.1	2.7
Food crops and related items	13.2	1.4	5.9	12.4	3.5
Food	6.5	2.7	8.2	9	4.2
Non-Food	4.9	3	6	4.4	3.1
Energy Fuel and Utilities	2	1.8	6.7	2.2	11.1
Other Goods	3.4	3	7.3	5	2.7
Services	6.6	3.5	5.8	5.3	2.7

Source: Uganda Bureau of Statistics

Reflecting the good rains, annual food crops and related items inflation fell sharply to 3.5 percent in FY 2017/18, from 12.4 percent in 2016/17. Annual Energy, Food and Utilities (EFU) inflation however gained momentum in FY 2017/18 rising to 11.1 percent from 2.2 percent the previous year. The growth in EFU over the period was largely driven by a rise in liquid fuels inflation.

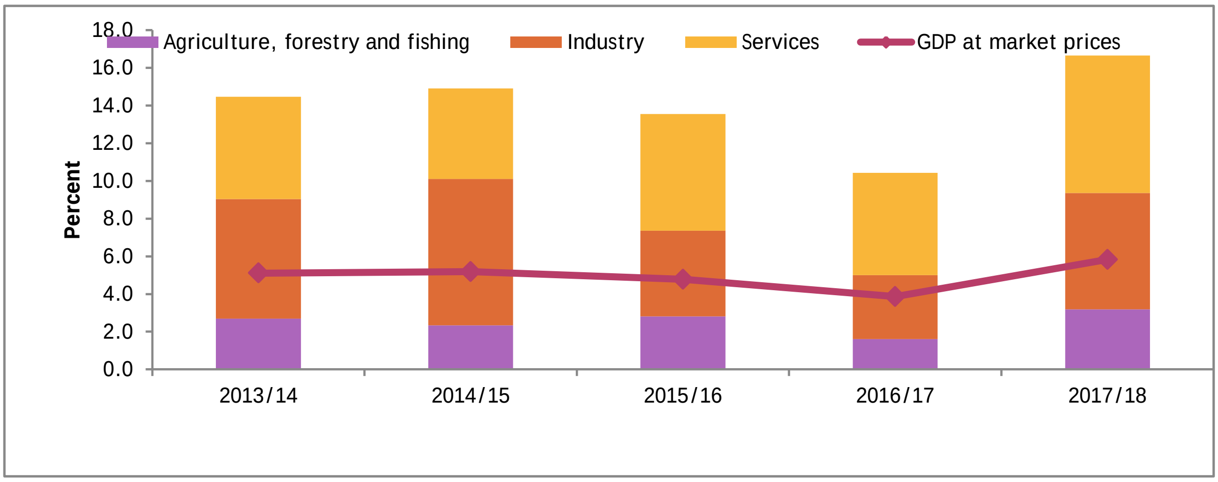
4.9.2 Inflation Outlook

Although inflation remained subdued in FY 2017/18, it is projected to rise to the 5 percent target in the medium term. 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 direction of food prices, the path for exchange rate, global inflation and interest rates and the uncertainty surrounding global financial markets.

4.10 Real Economic Growth

Economic activity strengthened in FY 2017/18, and is estimated to grow by 5.8 percent. 1.9 percentage points higher than the outturn for FY 2016/17 of 3.9 percent (Figure 8).Growth was strong in all sectors of the economy. Agriculture, forestry and fishing sector grew by 3.2 percent from 1.6 percent in FY 2016/17, supported by the growth in food and cash crops. Industry and services sectors too grew by 6.2 percent and 7.3 percent, respectively, up from 3.4 percent and 5.4 percent, respectively in FY 2016/17. The growth in the industry sector was largely on account of chemical and pharmaceutical products, drinks, tobacco and construction activities while the services sector growth was driven by trade and repairs, financial and insurance activities, public administration and transportation and storage.

Figure 8: GDP growth



Source: Uganda Bureau of Statistics, UBOS

Real GDP growth is projected to strengthen further to at least 6 percent in FY 2018/19, 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.

4.11 Fiscal Developments

4.11.1 Government Expenditure and Revenue

The fiscal stance for FY 2017/18 focused on addressing infrastructural constraints in the economy. However, the implementation of the budget was affected by a shortfall in domestic revenue and slow execution of infrastructural projects.

Preliminary fiscal data for 2017/18 indicates that Government revenue (including grants) amounted to UGX 15,312.0 billion, which was lower than the approved budget by UGX 1,513.2 billion. The underperformance in government revenue was on account of lower project support grants and tax revenue, which underperformed by UGX 981.1 billion and UGX 606.1 billion, respectively. The underperformance in tax revenue relative to the Uganda Revenue Authority's (URA) target was mainly due to shortfalls in indirect and direct taxes, which arose from lower collections from phone talk time and lower sales of manufactured items and from lower withholding tax and tax on bank interest. On the other hand, international trade tax collections and Non-Tax Revenue (NTR) registered surpluses mainly due to an increase in the volume of imports and to the transfer of responsibility to collect NTR from Government Ministries, Departments and Agencies (MDAs) to the URA.

Total government expenditure and net lending in 2017/18 was UGX 2,112.9 billion lower than the approved budget. This was a result of underperformance in the development expenditure by UGX 2,509 billion as shown in Table 8. The fiscal deficit amounted to UGX 4,891 billion in FY 2017/18, which was lower than the budgeted amount by UGX 599.7 billion. Total financing (excluding errors and omissions) amounted to UGX 4,854.3 billion, of which 72 percent was external while 28 percent was domestic.

Table 8: Fiscal Performance in FY 2017/18 (UGX Billions)

	2016/17	Preliminary 2017/18	Approved Budget 2017/18	Variation
Revenue and Grants	**13,896.5**	**15,312.0**	**16,825.2**	**-1,513.2**
Revenue	12,946.8	14,537.8	15,062.4	-524.6
Tax	12,463.4	14,076.1	14,682.2	-606.1
Non-Tax	353.6	461.8	380.3	81.5
Grants	949.7	774.2	1,762.8	-988.6
Budget Support	259.3	154.5	162.0	-7.5
Project Support	690.5	619.7	1,600.8	-981.1
Expenditure and Lending	**17,437.5**	**20,203.0**	**22,315.9**	**-2,112.9**
o/w Current Expenditure	9,994.3	10,935.6	10,663.6	272.0
Development Expenditure	6,718.1	7,566.1	10,075.1	-2,509.0
Overall Fiscal Bal. (including grants)	**-3,540.9**	**-4,891.0**	**-5,490.7**	**599.7**

Source: Ministry of Finance, Planning and Economic Development

4.11.2 Domestic and External Debt

The provisional total public debt stock (at nominal value) as at end June 2018 stood at UGX. 42,084.7 billion, which is an increase of 21.6 percent relative to June 2017. External and domestic debt increased by 26.0 percent and 13.7 percent, respectively in FY 2017/18. External debt made up the bulk of the total public debt, accounting for 66.9 percent as shown in Table 9.

Table 9: Indicators of Public Debt Stock

	Jun-15	Jun-16	Jun-17	Prov. Jun-18	Change FY 2016/17 (%)	Change FY 2017/18 (%)
Total Gross Debt (UGX Bn)	24,334.7	29,611.6	34,604.0	42,084.7	16.9	21.6
External (UGX Bn)	14,462.1	18,077.3	22,360.9	28,164.4	23.7	26.0
Domestic (Nominal, UGX Bn)	9,872.6	11,534.3	12,243.1	13,920.3	6.1	13.7
External (USD, Mn)	4,380.1	5,309.2	6,227.1	7,259.8	17.3	16.6
UGX/USD eop rate	3,301.8	3,404.9	3,590.9	3,879.5	5.5	8.0

Source: Bank of Uganda

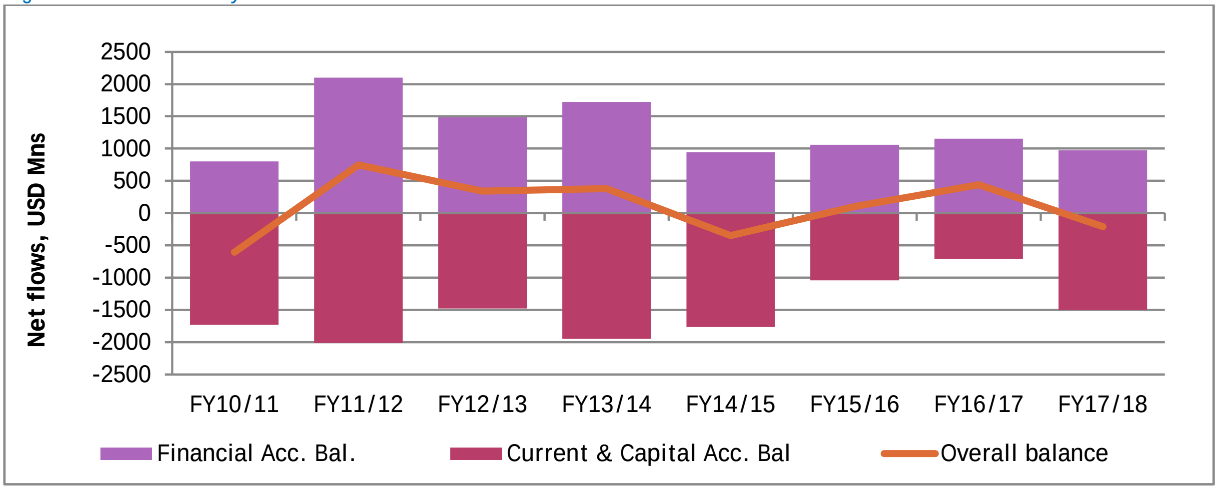
4.12 Balance of Payments and Exchange Rates

4.12.1 Balance of Payments

The provisional data indicates that the balance of payments recorded a deficit balance of USD 209.8 million in FY 2017/18, (about USD 648.3 million) deterioration from a surplus of USD 438.6 million recorded in FY 2016/17 (Figure 9). During FY 2017/18, the current account deficit (CAD) widened by USD 746.5 million to USD1,607.5 million. This was a reversal of the trend in the CAD, which had been steadily narrowing, on average by 23.0 percent since FY 2013/14. All sub accounts of the current account, with the exception of the primary income account, registered deteriorations during FY 2017/18, relative to FY 2016/17. The deterioration in the CAD during FY 2017/18 was largely on account of widening of the trade deficit, driven by a pick-up in the import bill, which more than offset the increase in exports; coupled with a decline in personal transfers.

The import bill increased by USD 774.5 million (16 percent), largely supported by increased private sector imports. Non-oil and oil imports increased by USD 535.7 million and USD 217.2 million, respectively, reflecting a combination of stronger domestic demand and a rebound in global crude oil prices throughout the FY 2017/18. Export receipts increased by USD 306.8 million, largely owing to increase in non-coffee exports (majorly beans, tea, maize and fish). Earnings from export of coffee remained largely flat, increasing by USD 1.9 million as the decrease in the unit price of coffee exported outweighed the increase in volume of coffee exported during FY 2017/18.

Figure 9: Balance of Payments



Source: Bank of Uganda

Net inflows in the financial account fell by USD 178.5 million, as a result of declines from all the sub accounts, save for direct investment. Foreign direct investment (FDI) increased by 21 percent to USD 788.3 million, driven by increased reinvested earnings and equity capital investment by foreign owned companies during the year. Portfolio net outflows (assets) in FY 2017/18 increased by USD162.2 million to USD347.2 million compared to USD185 million registered in the previous year. This was supported by the Ugandan residents who increased their holdings of foreign debt securities and equity assets. Other investment inflows decreased by 22.4 percent to USD 534.1 million largely on account of increased debt repayments during the year.

Financial account flows were insufficient to absorb the CAD; consequently, there was a draw down in reserve assets to the tune of USD 209.8 million during FY 2017/18. The stock of reserves at June 30, 2018 declined by USD 218.9 million, to USD 3,220.7 million, equivalent of 4.6 months of goods and services relative to FY 2016/17. In terms of outlook, the CAD is likely to remain weak in the short- to medium-term on account of a pickup in imports by government as well as the private sector. Financial inflows through direct investment may increase in light of the expected conclusion of the final investment decision by foreign investors in the oil and gas sector, targeted for end of 2018.

4.12.2 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 14,847.2 million as at end June 2017 to USD 16,097.1 million in June 2018. The net increase in liabilities of USD 1,249.9 million was mainly due to an increase in Foreign Direct Investments (FDI) liabilities.

On a gross basis, Uganda's stock of foreign liabilities amounted to USD 22,460.1 million in June 2018 from USD 20,773.7 million in June 2017. The stock of FDI amounted to USD 12,317.8 million accounting for 54.8 percent of the country's total foreign liabilities. The bulk of the FDI stock, about 77.1 percent, continued to be comprised of equity capital and reinvested earnings. Portfolio investment claims by non-residents on the economy amounted to USD 848.3 million while "Other investment" liabilities amounted to USD 9,293.7 million as at end June 2018 with the bulk being loans owed by government (USD 7,261.9 million) and the private sector to non-residents (USD 1,404.3 million).

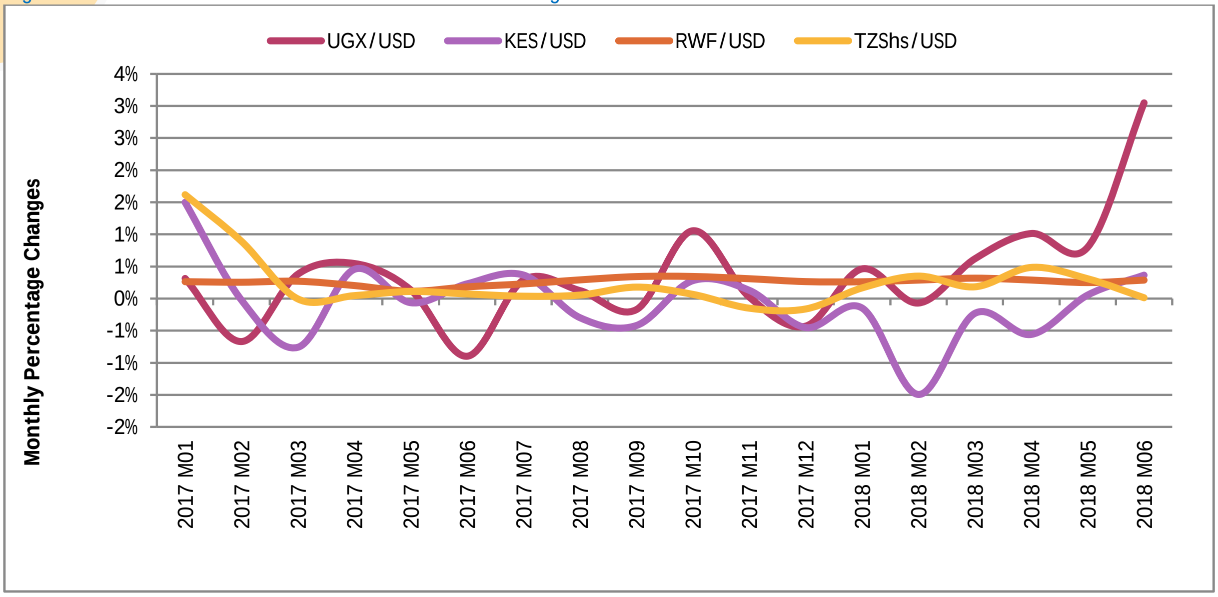
The stock of foreign assets amounted to USD 6,363.0 million, an increase from USD 5,926.5 million as at end June 2017. Reserve assets amounted to USD 3,220.7 million, accounting for 50.6 percent of the total. The "Other investment" assets comprising of mainly currencies and deposits of residents held abroad and loans to non-residents amounted to USD 2,060.4 million. Portfolio investment assets amounted to USD 1,000.5 million, with debt securities assets accounting for 70.2 percent of the total portfolio investment assets.

4.13 Exchange Rate Developments

The Uganda Shilling continues to be affected by domestic and external forces on account of the open economy. In FY 2017/18, the Uganda Shilling on average depreciated by 4 percent to UGX.3,659.15 per USD from UGX.3,529.68 per USD in FY 2016/17. The shilling was generally stable for most of the first three quarters of the financial year, supported by inflows from NGOs and coffee export proceeds and forex bureaux being able to offset outflows from oil, manufacturing and telecom sectors. However, during the last quarter of the year, the shilling weakened, largely on account of global strengthening of the US Dollar and elevated US dollar demand from oil, manufacturing and telecommunications sectors, as well as offshore investors, amidst low inflows from export receipts. Speculative activity could have also heightened the pace of depreciation as economic agents positioned themselves in anticipation for further depreciation. By June, 2018, the Uganda Shilling had depreciated by 3.0 percent, month-on-month, to an average midrate of UGX. 3,840.48 per US dollar, compared to a 0.8 percent month-on-month depreciation in May 2018. On annual basis, the Shilling weakened by 6.9 percent in June 2018, compared to a depreciation of 2.8 percent recorded in May 2018.

The weakening of the Uganda Shilling was more pronounced than that of its regional counterparts, as shown in Figure 10. The Kenya Shilling, Tanzania Shillings and Rwanda Franc depreciated by 0.4, percent and 0.01, and 0.3 percent, respectively, month-on-month in June 2018. On an annual basis, the Kenya shilling appreciated by 2.4 percent, while the Tanzania Shilling and Rwanda Franc depreciated by 1.6, and 3.5 percent, respectively.

Figure 10: Trends of Selected EAC Partner State Exchange Rates



Source: Bank of Uganda

BoU participated in the Interbank Foreign Exchange Market (IFEM) by carrying out purchases for reserve build up and interventions in periods of high volatility of the exchange rate. In the financial year, 2017/18, BoU purchased USD 470.1 million and intervened by selling to the market USD 101.95 million, on a net basis. Thus, the net BoU action in the IFEM, in the financial year 2017/18, amounted to a net foreign exchange purchase of USD 195.4 million.

5 Financial Markets Developments

5.1 Foreign Exchange Reserves and Investment Management Operations

Bank of Uganda continued to manage foreign exchange reserves in line with the objectives of capital preservation, liquidity, as well as reasonable and consistent returns, as stipulated in the Foreign Exchange Reserves Management Policy approved by the Board of Directors.

Bank of Uganda reserves are divided into two portfolios, namely the internally managed and externally managed portfolios. The internally managed portfolio comprises the fixed income portfolio with duration of 0-3 years and the money market portfolio, while the externally managed portfolio is mainly invested in 1-5 years fixed income instruments.

As at June 30, 2018, the foreign exchange reserves stood at USD 3,220.7 million (equivalent to 4.6 months of import cover) compared to USD 3,384.7 million (equivalent to 5.3 months of import cover) as at June 30, 2017.

5.2 Financial Markets Achievements in FY 2017/18

In line with the objectives set out by the Bank to strengthen its foreign exchange reserve management operations, the following were the achievements in FY 2017/18:-

i. In a bid to enhance return and diversify the portfolio, the Bank invested in Sovereign, Supranational and Agency bonds (SSAs), which offer higher yields, compared to US Treasuries.

ii. The Bank developed a framework for evaluating the performance of external fund managers in order to improve effectiveness and accountability of foreign reserves management.

iii. In order to comply with new legislations in the European Union (EU), documentation was completed and submitted to the relevant reserves management agents. The legislations included Markets in Financial Instrument Directive (MiFID II) and the accompanying Regulation (MiFIR) as well as Financial Industry Regulatory Authority (FINRA)'s margining rules.

iv. The Bank experienced increased efficiency in reserves management and trading of Money Markets and Fixed Income products arising from the use of Bloomberg Anywhere terminals. Users were able to monitor portfolios in real time, access market information and execute trades efficiently. Bloomberg Anywhere also enabled all parties concerned to receive immediate notifications once deals were concluded.

5.3 Challenges from Global Financial Sector Developments

5.3.1 Low interest rates globally

Interest rates in the core developed markets have remained subdued in comparison to the yield levels of 3 percent to 5 percent witnessed prior to the 2008 global financial crisis. The major central banks have over the past year commenced gradual removal of the accommodative monetary policy initiatives put in place following the global financial crisis. The US Federal Reserve has taken the lead, gradually rising its policy rate to a range of 1.75 percent to 2 percent by June 2018 from a range of 0.5 percent to 0.75 percent as at February 2017.

The Bank of Canada has tightened its policy rate four times since mid-2017, gradually increasing rates from 0.50 percent in July 2017 to 1.50 percent by July 2018. The Bank of England increased its base rate by 25 basis points to 0.75 percent in August 2018, while the Reserve Bank of Australia, European Central Bank and Bank of Japan have maintained their policy rates as unchanged at 1.50 percent, 0.00 percent and -0.10 percent, respectively.

5.3.2 Global trade protectionism and increased uncertainty

During the year under review, trade protectionism clogged global markets. The US imposed tariffs on imports of Steel and Aluminium. The European Union and Canada imposed tariffs of Euro 2.8 billion and USD 12.8 billion on US imports from July 1, 2018 in a tit-for-tat retaliation, and Turkey also imposed tariffs on nearly two dozen U.S. products starting June 21, 2018. The US also slapped 25 percent tariffs on USD 34 billion worth of Chinese imports starting July 06, 2018, and in response China imposed equivalent retaliatory levies on U.S. goods. The U.S. Commerce Department was said to be considering an additional 10 percent duty on Chinese products with annual trade value of approximately USD 200 billion, with President Trump warning the final total could surpass USD 500billion. This remained a challenge for financial markets, as the resulting uncertainties dampened business sentiment and affected risk appetite in financial markets.

5.3.3 De-risking

In a bid to de-risk, a number of global banks decreased intake of deposits. Bank of Uganda also de-risked from some counterparties that were below the bank’s minimum rating or considered high risk during the period. This affected the Bank by reducing the investment space. However, the Bank continued to search for counterparties and also explored other options such as re-allocating some funds from Money market to fixed income investments. By June 2018, the Bank had identified four (4) new core counterparties that we could invest with. The Fixed income portfolio had also been diversified to include Supras and Sovereign Agency bonds.

5.3.4 The Negative Interest rate regime in the Eurozone

The negative interest rate on Euro investments remained a challenge, given the need for Bank of Uganda to hold a Euro portfolio to meet Government of Uganda Euro denominated obligations. In spite of the challenge, the Bank embarked on an exercise to seek for other investment options where Euro holdings could be placed efficiently, within the Bank’s risk appetite. By June 2018, the Strategy and Finance Committee of the Board had granted approval to invest the Euro holdings with regional institutions, which offer competitive rates.

5.3.5 Rising Yields in the U.S

The tax cuts enacted in the U.S during the reporting period, as well as higher commodity prices translated into higher inflation and rising bond yields in the US which could have negatively impacted valuation of Bank of Uganda's fixed income investments. Bank of Uganda's fixed income portfolio majorly comprises U.S. government bonds, whose prices fall as yields rise. However, the portfolio strategies taken during the period sought to minimize losses and maximize opportunities to reinvest at the higher yields. Additionally, this risk was offset by the trade war uncertainties which lent support to US treasuries as investors eluded risky investments in favor of safe haven assets.

5.3.6 Volatility of USD against other major currencies

USD volatility (in which more than half of the Bank of Uganda reserves are invested) was apparent during the period. The volatility was mostly due to; the prevailing trade tariff rhetoric; strong economic fundamentals in the U.S; and the Fed's monetary policy decisions. The currency closed stronger against the other reserve basket currencies.

5.3.7 Uncertainty of Brexit outcome

The uncertainties arising from the United Kingdom's eminent exit from the European Union continued to trickle through the financial markets. Since voting to leave the European Union in June 2016, UK and EU provisionally agreed on the three "divorce" issues of; how much the UK owes the EU, what happens to the Northern Ireland border and what happens to UK citizens living elsewhere in the EU and EU citizens living in the UK. An agreement on those basic terms of Britain's departure marked the end of Phase 1 of the negotiations in December 2017. The final result of Phase 2 of the negotiations was to be a signed off 'divorce deal' between the EU and the UK.

However, the negotiations during the year were marred with several bottlenecks. The EU rejected the UK's customs proposals on the grounds that the EU could not delegate the application of its customs policy and rules, as well as VAT and excise duty collections to a non-member who would not be subject to the EU's governance structures. As a result, it became increasingly likely that the UK would be heading for a no-deal "hard Brexit". Given this uncertainty, the GBP slid during the period under review, slightly supported by the prospect for a rate hike in August 2018.

5.4 Domestic Financial Markets Developments

During the year to June 2018, 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 tenors and Treasury Bonds in 2-, 3-, 5-, 10- and 15-year tenors.

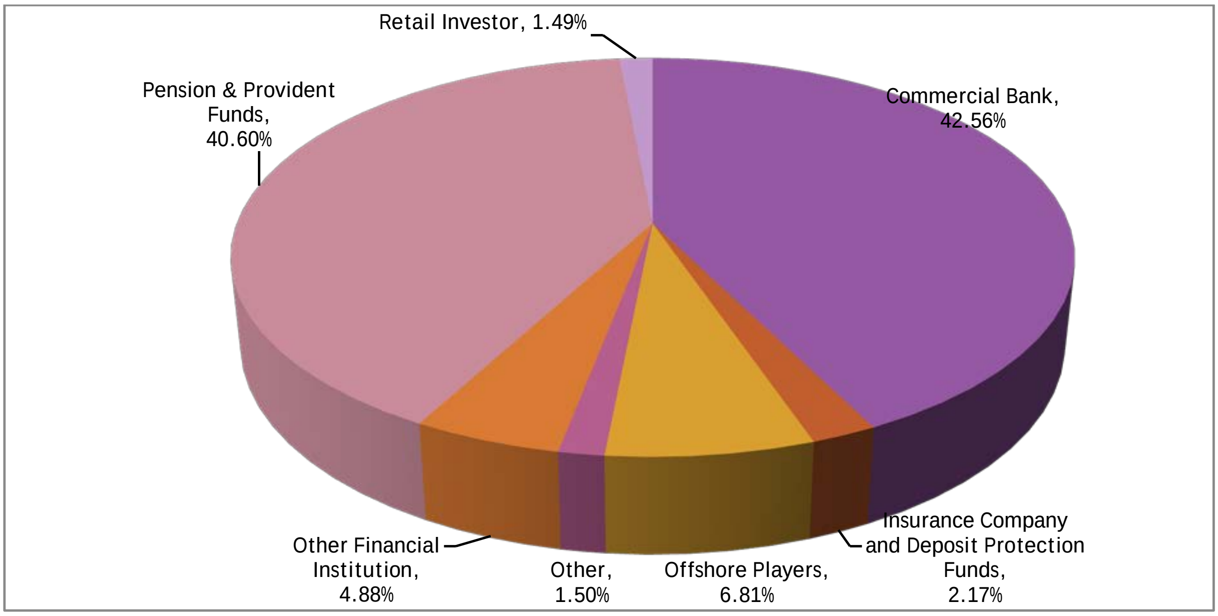
The spectrum of maturities remained largely accommodative for investors who desired to invest in different maturities both on the short, medium and long term horizon. Price discovery was greatly enhanced and was supported by the yield curve on the Bank of Uganda website which increased efficiency of 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.

5.5 Treasury Bills and Bonds

During the FY 2017/18, the Bank of Uganda as a fiscal agent of Government of Uganda issued Treasury bills and Treasury bonds in different tenors for fiscal policy implementation. A total of UGX 8,867.72 billion was issued of which UGX 6,345.97 billion was in Treasury bills and UGX 2,521.76 billion was in Treasury bonds during the year. Government securities redemptions in the period amounted to UGX 6,802.38 billion, out of which UGX 5,525.24 billion was Treasury Bills and UGX 1,277.14 billion was Treasury Bonds. As at end-June 2018, the total stock at face value of Treasury bills and Treasury bonds was UGX 3,860.73 billion and UGX 9,695.25 billion respectively representing an increase of 7.2 percent and 14.8 percent respectively.

Figure 11: Treasury Securities Outstanding Stock by Holder Category as at June 30, 2018



Source: Bank of Uganda

As at June 30, 2018, commercial banks held the largest portfolio of government securities at 42.56 percent of the total stock, while pension and provident funds held 40.6 percent and offshore investors held 6.81 percent (Figure 11). Other financial institutions held 4.88 percent and insurance companies and retail investors held 2.17 percent and 1.49 percent, respectively.

5.6 Interest 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 line with inflation outlook and in order to support the recovery of private sector credit and real economic growth. The CBR was gradually reduced by 1 percentage point to 9 percent in June 2018 from 10 percent in June 2017.

By end-June 2018, the effective yields on the 91-, 182-, and 364-day Treasury bills stood at 10.516 percent, 12.028 percent and 14.502 percent, respectively, compared to the corresponding rates of 10.816 percent, 11.817 percent and 13.353 percent, recorded at end-June 2017.

Figure 12: Government Securities Benchmark Yield Curve Comparisons: June 2017 vs June 2018

Source: Bank of Uganda

The yields on the 2-, 5-, 10-, and 15-year bonds also rose to 14.475 percent, 14.892 percent, 16.050 percent and 16.492 percent at the end of June 2018 from 13.783 percent, 14.492 percent, 15.125 percent and 15.692 percent at the end of June 2017, respectively.

5.7 The Vertical Repurchase Agreement (Repo) Market

Bank of Uganda continued to use the repo market as the main liquidity management tool in line with the monetary management framework of Inflation Targeting Lite (ITL). The vertical Repo market used for short-term liquidity management registered total volume of UGX 34,507.5 billion, comprising UGX 31,670 billion in Repos and UGX 2,837.5 billion in Reverse Repos. These were offered in tenors ranging from 1 to 7 days. The short term Repo market interest rates edged down in line with the monetary policy easing stance adopted by the Bank.

5.8 Deposit Auction Facilities

Bank of Uganda continued to use 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 2017/18, deposit auction volumes amounted to UGX 13,616.4 billion of which UGX 5,361.9 billion was awarded on the 28-day tenor and UGX 8,254.5 billion was awarded on the 56-day tenor.

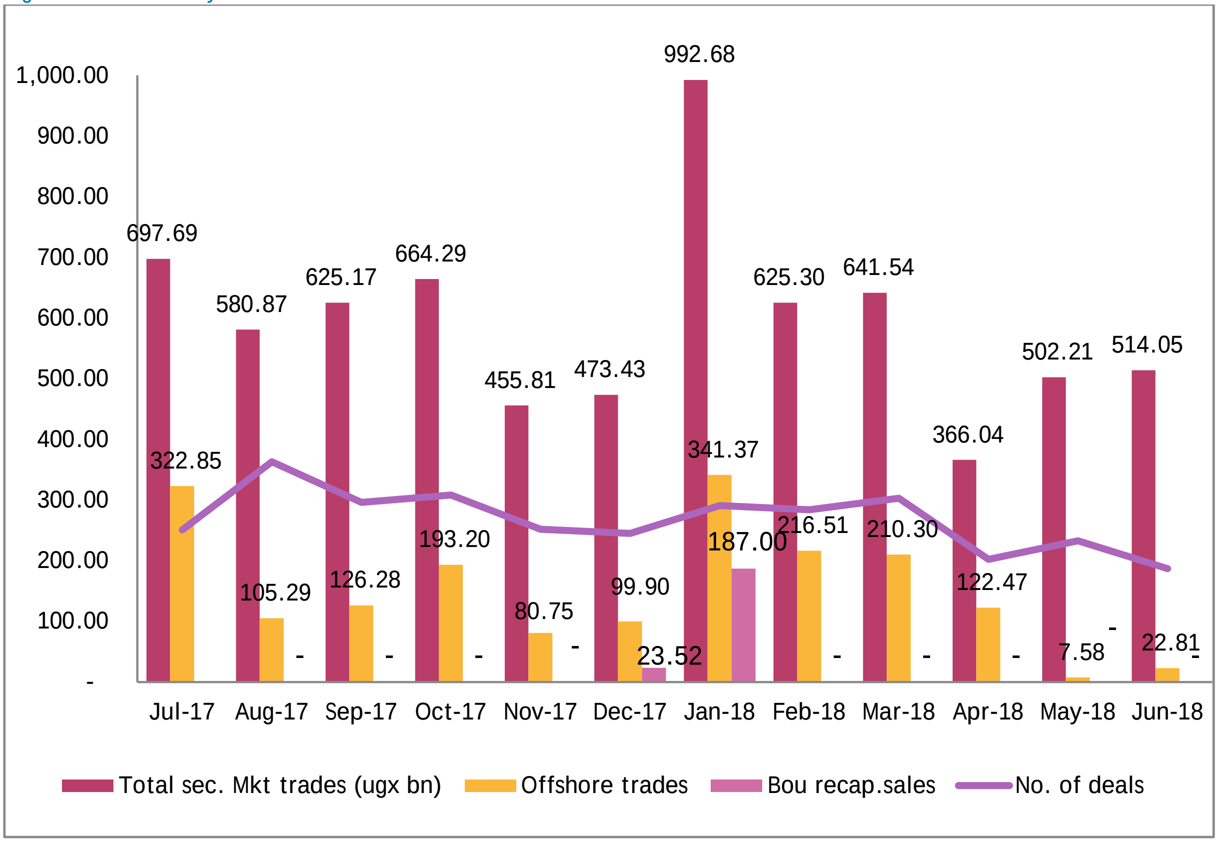
5.9 Bank of Uganda recapitalization securities

The Bank of Uganda also uses recapitalization securities as a supplementary tool to manage liquidity. During FY 2017/18, recapitalization securities amounting to UGX 210.52 billion were sold.

5.10 Secondary Market Developments

Financial markets development is one of the pursuits of Bank of Uganda. A developed market is characterized by, among others, high liquidity levels in the government securities segment evidenced by an active secondary market. During the period under review, trading volumes in the secondary market for Treasury securities increased to UGX 7.139 trillion from UGX 4.870 trillion traded in the year to June 2017.The monthly turnover in the secondary market for the period under review is shown in Figure 13.

Figure 13: Secondary Market Trades of Government Securities Jul-2016 to Jun-2017



Source: Bank of Uganda

The average number of secondary market transactions per month in the year 2017/18 increased to 268 compared to an average of 209 transactions in the year 2016/17. The increase in the volume and number of secondary market trades could be partly attributed to the sale of Bank of Uganda recapitalization securities together with sizable offshore sales.

5.11 Debt Market Development

5.11.1 Primary Dealer Reforms

In a bid to improve liquidity in the secondary market for government securities, Bank of Uganda instituted Primary Dealer (PD) Reforms for the government securities market. The performance of the commercial banks during Phase I of the reforms has been evaluated and the commercial banks have generally improved in the role of market making. Preparations are now underway to roll out Phase 2 of the Primary Dealer reforms in the FY 2018/19.

5.11.2 Public Awareness and Sensitization

Bank of Uganda in conjunction with the Ministry of Finance, Planning and Economic Development (MoFPED) participated 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, Hoima, Gulu, Arua and Mbale where members of the Bank and MoFPED appeared on radio talk shows and held town hall sensitization meetings.

The Bank also participated in exhibitions at various institutions and trade shows where the staff and the public were sensitized about the benefits and operations of the government securities market. Staff of the Bank also conducted sensitization activities on various national television and radio channels.

In addition, the Bank participated and exhibited material relating to investment in government securities at the diaspora conventions in Miami in the U.S.A, Denmark and Sweden.

5.11.3 Workshop on Derivatives and Risk Management

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 National 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.

5.11.4 Global Master Repurchase Agreement

Bank of Uganda and the First Parliamentary Counsel are in the final stages of drafting regulations in order to operationalize the Global Master Repurchase Agreement (GMRA). This will support the development of the horizontal repo instrument in the Ugandan financial markets, which is a key ingredient in enhancing liquidity in the Government securities.

5.11.5 Mobile Treasury Product

The feasibility study on the viability of using the mobile phone as a platform for trading in government securities was completed and its results and recommendations were adopted by Bank of Uganda and the Ministry of Finance, Planning and Economic Development (MoFPED). In June 2018, the recommendations were sent to Cabinet for approval, prior to roll out of the project.

5.11.6 Capital Markets Infrastructure Development.

Bank of Uganda embarked on the implementation of a project in conjunction with the Uganda Securities Exchange (USE) that will link the USE to the Bank of Uganda Central Securities Depository (CSD) to enable trading of government securities at the Securities Exchange. This will enhance retail access to Government securities through the network of securities brokers.

5.11.7 East African Community Regional Activities

At the EAC regional level, the following was undertaken:

- The Technical Working Group (TWG) for Designated Market Makers for Government Securities (DMMGs) updated the framework for the DMMGS's and also developed strategies for its implementation. This will provide standard procedures and practices for trading Uganda Government securities across the EAC region
- The EAC Capital Markets Infrastructure project entered the final stages of implementation and the Bank was part of the Technical Working Group. This project will enable the realization of a single market for financial markets products and services within the EAC, in line with implementation of the EAC Common Market protocol.
- The Bank continued to implement the activities geared towards harmonization of financial markets as the Community progressed towards the East African Monetary Union (EAMU).

5.11.8 Strategic Partnerships

The Bank continued to engage partners to support its efforts of financial markets development. These include:

- Partnered with Financial Sector Deepening Uganda (FSDU) through their support and funding of the mobile treasury product feasibility study.
- Frontclear, a development finance house based in Amsterdam proposed a collaboration with Bank of Uganda in regards to technical training and a support framework for developing the interbank market and boosting secondary market trading. Negotiations are underway between the two institutions to formalize the cooperation through a Memorandum of Understanding (MoU).
- The Association of Corporate Treasurers (ACT) successfully launched a Uganda chapter comprising of a team of founding members from commercial banks, industry and the central bank. This international UK based Association aims to increase professionalism within the treasury function of corporates, businesses and financial enterprise (including commercial banks).

6 Banks Supervision

6.1 Commercial Banks

The banking system remained safe and sound during the year ended June 2018. All commercial banks were adequately capitalized with the industry Core Capital to Risk Weighted Assets ratio as at end June 2018 of 19.74 percent exceeding the minimum requirement of 8.0 percent. In addition, the banking industry maintained adequate aggregate liquidity buffers, and liquid assets to deposit ratios, the latter standing at 46.6 percent as at end of June 2018. This ratio is well above the minimum statutory requirement of 20 percent.

The total assets of the banking sector grew by UGX 2.5 trillion or 10.2 percent from UGX 24.9 trillion as at end June 2017 to UGX 27.4 trillion as at end June 2018. The industry gross loans and advances grew by 11.0 percent from UGX 11.0 trillion as at June 30, 2017 to UGX 12.2 trillion as at June 30, 2018, compared to the 9.0 percent growth achieved in the previous year.

There was an improvement in asset quality, with Non-Performing Loans and Advances reducing by UGX 136.8 billion or 20.13 percent from UGX 679.6 billion at end of June 2017 to UGX 542.8 billion as at the end of June 2018. Consequently, the consolidated industry Non-Performing Loans and Advances (NPLs) to gross loans and advances ratio (NPL ratio) improved from 6.2 percent as at end of June 2017 to 4.4 percent as at the end of June 2018.

The total number of commercial bank branches stood at 547 as at end June 2018, following the opening of only nine (9) new branches and closure of eight (8) branches during the year ended June 2018. The closure of branch premises was necessitated by changes in the business models of some banks, aimed at lowering operating costs while enhancing efficiency by leveraging digital technology.

6.2 Credit Institutions

As at end June 2018, all Credit Institutions held adequate capital and liquidity buffers. The subsector's aggregate core and total capital held was UGX 92.9 billion and UGX 100.3 billion respectively, and corresponding ratios of risk weighted assets stood at 20.9 percent and 22.5 percent, respectively. The Credit Institutions subsector registered a UGX 7.4 billion aggregate net after tax profit for the year ended June 2018. As a result, annualized return-on-assets (ROA) and return-on- equity (ROE) ratios were 1.2 percent and 6.9 percent, respectively. The cost-to-income ratio at 88.2 percent remained high, and is attributed largely to diminishing revenue streams amidst increasing costs of doing business.

Total Assets held by the sub-sector grew by UGX 119.8 billion or 24.1 percent from UGX 496.3 billion as at end of June 2017 to UGX 616.1 billion as at end of June 2018. Similarly, net loans and advances increased by UGX 80.3 billion or 31.2 percent from UGX 257.4 billion to UGX 337.7 billion as at end of June 2018. Total deposits rose by UGX 98.1 billion or 28.9 percent from UGX 339.7 billion to UGX 437.8 billion over the same period.

6.3 Microfinance Deposit-taking Institutions

As at end of June 2018, the Microfinance Deposit-taking Institutions (MDIs) were adequately capitalized. Aggregate core and total capital held stood at UGX 159.3 billion and UGX 172.2 billion, respectively, with aggregate core and total capital adequacy ratios at 44.4 percent and 48.0 percent, respectively. The sub-sector's annualized ROA and ROE ratios were 3.1 percent and 8.6 percent, respectively.

Total assets held by the sub-sector increased by UGX 10.4 billion or 2.2 percent, from UGX.471.7 billion as at June 2017 to UGX 482.1 billion as at end June 2018; largely attributed to an increase of UGX 12.5 billion or 9.9 percent in balances held with financial institutions. Gross loans outstanding decreased by UGX 4.0 billion or 1.5 percent to UGX 273.6 billion. Non-performing loans also reduced by UGX 2.0 billion or 14.1 percent to UGX 12.0 billion, over the year. Though customer deposits increased by UGX 14.9 billion or 7.4 percent over the year, to UGX 216.0 billion, the subsector's total liabilities decreased by UGX 10.2 billion or 3.1 percent to UGX 313.7 billion as at end June 2018.

6.4 Forex Bureaus and Money Remitters

Total capital and reserves held by the sub-sector as at end June 2018 stood at UGX 66.2 billion, an increase of UGX 6.4 billion or 10.7 percent from the UGX 59.8 billion held as at end June 2017. The sub-sector also posted a significant growth in total assets of UGX 14.6 billion or 14.5 percent, from UGX 100.5 billion in June 2017 to the UGX 115.1 billion by end of June 2018.

The sub-sector remained largely profitable, and posted a profit after tax of UGX 8.2 billion for the year ended June 2018. Total sales of foreign currency amounted to UGX 12.9 trillion while total purchases of foreign currency totaled UGX 12.8 trillion during the year. Net Money Remittance inflows for the year to June 30, 2018 amounted to USD 226.7 million.

6.5 Mobile Money

Mobile money services continued to register significant growth in the year ended June 2018. The number of mobile money transactions increased to 1.3 trillion for the year to June 2018 from 1.1 trillion transactions in the prior year. The corresponding value of mobile money transactions increased to UGX 73.1 trillion from UGX 52.8 trillion in the previous year. However, the number of registered mobile money users decreased from 22.8 million in June 2017 to 22.7 million as at end of June 2018, largely attributed to the deregistration of mobile money accounts whose users had not submitted the requisite KYC credentials to maintain their registration status.

Growth of mobile money activity has significantly benefited from diversified usage beyond the initial remittances, airtime purchases and bills payments. New developments such as bank account to mobile money wallet and vice versa, have significantly changed the conduct of banking business and increased convenience of access to banking services. In addition, customers are now also able to save and borrow through their mobile money accounts which has positive knock-on effects to financial intermediation in general.

6.6 Regulatory and Supervisory Framework

6.6.1 The Financial Institutions (Islamic Banking) Regulations, 2018

Regulations for Islamic Banking were gazetted on February 02, 2018 to provide a regulatory framework for conducting Islamic financial business in Uganda. The Regulations provide guidance on, amongst other things, licensing, deposit taking, financing arrangements, capital adequacy and establishment of a Shariah governance framework to ensure that operations of the financial institutions offering Islamic finance are in conformity to Shariah requirements.

6.6.2 Financial Institutions (Capital Adequacy Requirements) Regulations 2018

The revised regulations on Capital Adequacy were gazetted in May 2018, and will take effect in September 2018. The regulations introduced a capital charge for market risk exposure in commercial banks and credit institutions. They also enhanced the minimum on-going core capital to risk weighted assets ratio from 8 percent to 10 percent in line with the East African Community (EAC) convergence criteria. However, the minimum on-going total capital to risk weighted assets ratio remained unchanged at 12 percent. The respective supervised financial institutions have already been directed to comply with the Capital Adequacy (Market Risk) Regulations, 2018.

6.6.3 Microfinance Deposit-taking Institutions Act, 2003

The draft amendment bill to the MDI Act, 2003 was forwarded to the Ministry of Justice and Constitutional Affairs, Office of the First Parliamentary Counsel, in April 2018 for further scrutiny.

6.6.4 Tier 4 Microfinance and Money Lenders Act, 2016

The drafting of regulations to guide implementation of Bank of Uganda's new mandate in relation to Tier 4 Microfinance Institutions (Registered Societies) pursuant to Section 110 of the Tier 4 Microfinance and Moneylenders Act, 2016 is underway. It is envisaged that the regulations will be approved and published in the Uganda Gazette by 31 December 2018.

6.6.5 Regulatory Framework: Foreign Exchange Act, 2004 and the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006

The proposed amendments to the Foreign Exchange Act, 2004 and the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006 were presented by the Ministry of Finance, Planning and Economic Development to the Cabinet Secretariat. The comments raised by the Cabinet Secretariat were addressed and await Cabinet's approval.

7 Financial Inclusion

7.1 Financial Inclusion Landscape

According to the FinScope Survey of 2018, 78 percent of Ugandan adults aged 16 years and above are financially included compared with 85 percent and 70 percent in 2013 and 2009, respectively. The results reveal that 58 percent of adults use formal financial services; 20 percent use only informal financial services; and 22 percent are financially excluded. The inclusion rates for the segments of male, females, rural dwellers, and urbanites stand at 78 percent, 77 percent, 75 percent, and 86 percent, respectively. Overall, use of formal financial services has improved to 58 percent in 2018 from 52 percent, 28 percent, and 28 percent in 2013, 2009, and 2006, respectively.

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 percent as per FinScope 2013 to at least 70 percent by 2017. The proportion of Ugandans using the formal financial services as per FinScope 2018 was 58 percent compared to 54 percent as per FinScope 2013. Nonetheless, the formally financially included Ugandans are still below the Maya Declaration target of 70 percent.

As part of the efforts to meet the country's financial inclusion commitments laid out in various policy documents such as the National Development Plan II FY 2015/16 – FY 2019/20, Bank of Uganda and Ministry of Finance, Planning and Economic Development alongside private sector players like Financial Sector Deepening Uganda (FSDU) launched the National Financial Inclusion Strategy 2017-2022 on October 26, 2017.

The National Financial Inclusion Strategy (NFIS) is a roadmap of actions and agreed upon steps by the *public* and *private* sectors to achieve a set of defined financial inclusion objectives. The Strategy which has three priority groups, namely rural, women, and youth envisions a society in which "All Ugandans have access to and use a broad range of quality and affordable financial services which helps ensure their financial security".

The NFIS aims at reducing exclusion, by providing a framework for coordination of financial inclusion initiatives, identifying key stakeholders and priority areas and providing a monitoring and evaluation framework. The overall objective of the NFIS is to reduce financial exclusion from 15 percent to 5 percent by 2022.The key pillars of the Strategy include:-

i. Reduce financial exclusion and access barriers to financial services

ii. Develop credit infrastructure for growth

iii. Build out the digital infrastructure for efficiency

iv. Deepen and broaden formal savings, investment and insurance usage

v. Protect and empower individuals with enhanced financial capability

Five working groups as guided by the above pillars have been established and the process of implementing the Strategy commenced.

Under strategic objective #3 (enhance financial system stability), Bank of Uganda's Strategic Plan 2017-2022 contains strategic initiatives that reinforce the aspirations of the National Financial Inclusion Strategy 2017-2022.

The financial inclusion initiatives are 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.

7.2 Financial Literacy

7.2.1 Review of the Strategy for Financial Literacy in Uganda 2013/14 - 2017/18

The Bank of Uganda undertook the review of the Strategy for Financial Literacy in Uganda 2013/14 – 2017/18. The consultative review that involved partners from all financial sector regulatory authorities and private sector players culminated into the new Strategy for Financial Literacy in Uganda 2018/19 – 2022/23 that will be launched in the course of FY 2018/19.

The Strategy which is aligned to the National Financial Inclusion Strategy has seven priority groups, namely youth (15-35 years), women, work place, rural outreach, children below 15 years, People with Disabilities, and forcibly displaced persons including refugees envisions a society in which "Ugandans have the knowledge, skills and confidence to manage money well".

The major objectives or goals of the Strategy for Financial Literacy in Uganda 2018/19 – 2022/23 include:-

i. To improve the ability of the population to manage their money well;

ii. To equip people with knowledge and skills to protect themselves against risks and fraud;

iii. To strengthen mobilisation and cost effective use of resources to promote financial literacy;

iv. To broaden the diversity and quality of initiatives that drive financial literacy;

v. To improve institutional cooperation among stakeholders in promoting financial literacy;

vi. To set in motion a process of increased self-awareness, skill development, and appropriate attitudinal change for individuals to strengthen positive mind-sets towards money generation and management;

vii. To conduct research and strengthen monitoring & evaluation of financial literacy initiatives; and

viii. To harmonise the national financial literacy initiatives / programmes with those of regional East African Community (EAC) partner states.

7.2.2 Training of Trainers for Financial Literacy

During the FY 2017/18, the Bank of Uganda 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.

Since inception of the five-day ToT workshops, 1,500 trainers have benefitted. The Financial Literacy Trainers are widespread in over 75 districts across Uganda and 33 languages can be used in the delivery of the content. The ToT program reached 37 percent women compared to 63 percent men.

The certification of the ToTs has a three tiered structure comprising of Financial Literacy Trainer; Financial Literacy Certified trainer; and Financial Literacy Certified Master trainer. In addition to attending the 5-day financial literacy programme, the certifications are acquired through training other people culminating into a multiplier effect. Out of the 1,500 trainers, 32 are certified financial literacy trainers and 27 are master certified financial literacy trainers. Over 350 organisations have been trained in financial literacy.

In conjunction with the Prime Minister's Office, BoU conducted financial literacy training for the youth in the Eastern and Northern parts of the country.

The Bank continued to update the dedicated web site on financial literacy: www.simplifymoney.co.ug.

7.2.3 World Savings Day on October 31, 2017

The Bank of Uganda joined other institutions worldwide to commemorate the world savings day on October 31, 2017. Activities undertaken included engagement with the public and Supervised Financial Institutions at the Kampala Constitutional Square and Gulu BoU Branch, media campaign on the role of savings in the economy, hosting of students from various learning institutions at the Bank of Uganda Charles Nyonyintono Kikonyongo (CNK) Money Museum and a Knowledge Sharing Session about talk on savings was organised for Bank of Uganda staff.

7.2.4 Global Money Week March 2018

In order to increase awareness of money matters among the youth, the Bank took part in the Global Money Week (March 2018) under the theme: 'Learn, Save, Earn.'

7.3 Financial Consumer Protection

7.3.1 Financial Consumer Empowerment Mechanism

The Bank strengthened its information inquiries and complaints resolution mechanism through the establishment of the Financial Consumer Empowerment Mechanism / Section (FCEM/S). The purpose of the FCEM/S is to provide overall coordination to the Bank's stakeholder engagement process through the provision of information as well as resolution of complaints that may arise during that process and / or through the relationships that exist with the Supervised Financial Institutions (SFIs). The FCEM will go a long way in supporting the implementation of the Financial Consumer Protection Guidelines 2011 and Bank of Uganda Complaints Handling Procedures 2015.

All SFIs are obligated 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. In the mechanism, SFIs are the first point of call for a financial consumer who may have a complaint.

The Bank also receives and resolves complaints from customers of SFIs. A dedicated email to receive complaints from the public exists. 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

7.3.2 Publishing of Supervised Financial Institutions' Charges and Fees

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.

7.3.3 Financial Consumer Protection Media Campaign

In order to strengthen awareness among the public, the Bank is continuing to use print and electronic media (radio talk shows and advertisements 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. In addition, radio talk shows about financial consumer protection in all regions of the country were executed.

7.3.4 Easing of Know Your Customer Requirements

The process of issuing National Identification Cards (NIC) is ongoing. A process has started to enable the linking of 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.

7.4 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 financial innovations to proliferate easily. Most notably, in FY 2017/18, the Financial Institutions (Islamic Banking) Regulations 2018 were gazetted. The objective of the regulations is to provide a regulatory framework for conducting Islamic financial business in Uganda.

The Bank undertook a national survey on electronic payments. The purpose of the survey was to identify a universe of electronic payment platforms in the country as well as gauge their uptake and usage.

Bank of Uganda was a major participant and key note speaker in The Africa Blockchain Conference 2018 that took place on May 23-24, 2018. A working group / committee has been set up in the Bank to undertake research about block chain technology with a view of understanding its facets and applicability in the financial services industry.

In addition, the Bank continues to review, approve, and provide regulatory oversight for innovative financial products. For instance the agent banking platform launched by Uganda Bankers' Association (UBA) in April 2018 is an example of what Uganda's regulatory framework has supported.

In order to leverage on the potential of using technology to improve access and usage of financial services through the Agent Banking Model, the Bank signed an agreement with the Agency Banking Corporation to connect to the RTGS to facilitate settlement of transactions.

The Bank held collaborative/consultative meetings with the Uganda Communications Commission and the Mobile Network Operators aimed at strengthening the regulatory framework for mobile money services.

7.5 Financial Data and Measurement

Bank of Uganda supported the process of conducting the fourth FinScope Survey 2018 by acting as the secretariat to the steering committee. FinScope is a demand side survey that enumerates access and usage of financial services at a household level. The results of the survey were launched on June 27, 2018.

In order to keep track of the status of financial inclusion on the supply side the Bank collects and publishes key financial inclusion indicators (Table 10).

Table 10: Key Supply Side Financial Inclusion Indicators

Dimension	Core Indicator	2013	2014	2015	2016	2017
Access	Number of access points per 10,000 adults at a national level (Total number of branches)	0.36	0.38	0.39	0.38	0.36
	Number of access points per 10,000 adults at a national level (Total number of ATMs)	0.48	0.47	0.50	0.49	0.46
	Number of access points per 10,000 adults at a national level (Total number of Agents)	0.00	0.00	0.05	0.05	0.05
	Number of access points per 10,000 adults at a national level	0.84	0.85	0.94	0.93	0.88
	% of administrative units with at least one access point	67.86	65.18	74.11	75.00	72.95
	% of total population living in administrative units with at least one access point	71.93	76.46	82.16	84.37	82.47
Usage	% of adults with at least one type of regulated deposit account	25.90	27.93	29.78	35.57	48.07
	% of adults with at least one type of regulated credit account	2.79	3.08	3.69	4.59	4.39

Source: Financial Services Providers

8 Banking, Currency and National Payment Systems

8.1 Banking Operations

The Constitution of Uganda and Bank of Uganda Act, mandates Bank of Uganda (BoU) as one of its responsibilities to act as Banker to Government and Commercial Banks. The Bank discharges this critical role through the Banking Department which maintains accounts for its customers on the Bank's core system, the BoU Banking System (BBS). Additionally, the operations between Bank of Uganda and Government are governed by the Public Finance Management Act, 2015 and a Memorandum of Understanding (MoU) signed between BoU and MoFPED. The MoU is currently under review by the two parties to cater for new developments that have emerged over the years.

In order to improve Banking operations and provide more efficient and effective payment systems, BoU made a strategic decision during the year and transferred all payment operations that were previously under National payments Systems Department to the Banking Department. The new services offered by Banking Department include: issuance of domestic securities and foreign letters of credit, confirmation of bank guarantees, processing of foreign inflows and payments.

8.1.1 Business Operations

The value of local cash payments amounted to UGX 455 billion representing an increase of 20 percent from UGX 378 billion recorded in the preceding year.

The overall value of government and project Electronic Funds Transfer (EFT) payments increased to UGX 12 trillion from UGX 10.5 trillion recorded in the previous year.

Total tax receipts collected on behalf of government increased by 8 percent to UGX 13.7 trillion from UGX 12.7 trillion in the preceding financial year. Other Uganda Consolidated Fund (UCF) transfers rose by 9 percent to UGX 7.7 trillion from the previous value of UGX 7.1 trillion. Consequently, the total value of UCF collections increased by 8 percent to 21.4 trillion from UGX 19.7 trillion recorded in FY 2016/17.

8.1.2 Major Achievements

BoU successfully implemented the Automated Clearing House (ACH) on April 20, 2018 which now provides a fully Automated Clearing House with a cheque truncation capability. The introduction of a single centralised cheque clearing platform has improved operational efficiency by expediting cheque clearance and settlement and reduced cheque processing costs and fraud risks in the financial sector.

In accordance with the MoU on currency acceptability, collections and repatriation signed by EAC Central Bank Governors, the BoU continued to repatriate EAC currency on behalf of commercial banks. Accordingly, six repatriations were successfully concluded in 2017/18 compared to five in the previous financial year.

8.1.3 Upcoming Activities

BoU resumed Forex Straight-Through-Processing (STP) on July 01, 2018 following the enhancements on the systems of BoU and MoFPED to counter fraud risk. Forex STP is expected to mitigate risks associated with processing of manual instructions and will provide a more efficient payment system.

BoU commenced the process of upgrading the BoU Banking System (BBS) to be concluded in 2019. The BBS upgrade will reduce the payments processing time and also minimise operational risks to the Bank and customers.

8.2 Currency Operations

The Bank continued to fulfil its mandate of issuing legal tender based on clean currency policy in an appropriate denomination mix. In the process, the value of currency in circulation rose by 11.6 percent in FY 2017/18 as presented in Table 11;

Table 11: Value of Currency in Circulation

Year	Banknotes (UGX)	Coins (UGX)	Total Value (UGX)	Growth %
June-18	4,184,569,010,000	138,662,173,236	4,323,231,183,236	11.6
June-17	3,715,988,575,000	159,184,120,236	3,875,172,695,236	13.90%

Source: Bank of Uganda

The value of bank notes in circulation from the above table increased by UGX 469 billion from 3.7 trillion in FY 2016/17 to UGX 4.2 trillion in FY 2017/18 while coins increased by UGX 7.9 billion

8.2.1 Currency withdraws and deposits

The increase in the value of currency in circulation in FY 2017/18 resulted from commercial banks' withdrawals of bank notes and coins from the central bank that exceeded their deposits by UGX 448.1 billion. The net change reflected the public's increase in demand for money to finance their economic activities. From the issuance trend below, withdrawals increased by 3.4 percent while the deposits increased by 4 percent.

Table 12: Issuance Trend

	Year	Banknotes	Coins	Total	Growth (%)
Withdrawals (UGX)	2017/18	7,757,723,435,000	11,337,318,000	7,769,060,753,000	3.4
	2016/17	7,498,789,000,000	14,638,620,000	7,513,427,620,000	11.6
Deposits (UGX	2017/18	7,317,537,000,000	3,465,265,000	7,321,002,265,000	4.0
	2016/17	7,037,864,000,000	1,310,120,000	7,039,174,120,000	7.2

Source: Bank of Uganda

8.2.2 Currency processing

As a result of the implementation of some currency automation initiatives, the value of bank notes processed increased by 2.4 percent between FY 2016/17 and FY 2017/18. This resulted in the amount of reissue increasing by 7.5 percent in the same period.

Table 13: Impact of enhanced currency processing

	2017/18	2016/17	Growth
	UGX	UGX	%
Value processed	7,250,947,435,000	7,083,592,000,000	2.4
Re-issue Output	5,319,803,435,000	4,949,538,000,000	7.5

Source: Bank of Uganda

The increase in reissue output resulted into reduced issuance of new bank notes into circulation thereby achieving the desired currency reissue to new bank notes issuance structure.

8.3 National Payment Systems Department(NPSD)

8.3.1 Mandate of NPSD

The core mandate of the National Payment Systems Department (NPSD) is to ensure safety and efficiency of the country's Systemically Important Payment Systems (SIPS) in line with the Bank for International Settlements (BIS) Principles for Financial Markets Infrastructure (PFMIs). The National Payment Systems (NPS) comprises the Financial Markets Infrastructure (FMI) as well as the retail payment systems, instruments and Payment Service Providers (PSP). A NPS can be designated as a SIPS due to large value transactions or dominance. The other two (2) key activities under the NPSD include the payment systems operations support and promotion of financial inclusion.

8.3.1.1 Payment Systems Operations Support

A national payment system is one of the principal components of a country's monetary and financial system which is crucial to the country's economic development through facilitation of economic transactions and providing mechanisms for effective transmission of the monetary policy. Bank of Uganda provides a wide range of payment systems and services to the authorized financial institutions, the Uganda Government and the general public.

8.3.1.2 Oversight of Payment Systems

According to the BIS, oversight is a Central Bank core function which ensures that the objectives of efficiency and safety are promoted by monitoring existing and planned systemic payment systems and assessing them in line with the PFMIs. The process starts with an enabling legal framework and clearly defining the licensing/authorization criteria for the PSPs as well as Systems and Instruments. The Central Bank as the Overseer of the Payment Systems is also expected to perform both on-site and off-site activities. The oversight scope includes the financial market infrastructures and systems as well as large value and retail payment instruments and PSPs. The drafting of the NPS law commenced at the end of the year under review and this will provide the basis for the oversight policy role.

8.3.1.3 Fostering Financial Inclusion

During the FY 2017/18, a National Strategy for Financial Inclusion (NFIS) 2017-22 was launched. Financial inclusion in the Uganda context (NFIS) is defined as having access to and using a broad range of quality and affordable financial services which help ensure a person's financial security.

The key activities include coordinating the implementation of the national Financial Inclusion Strategy, monitoring the impact of financial inclusion policies and putting in place an enabling legal framework to promote financial inclusion. Good and reliable statistics are important in monitoring the growth of financial services and innovations while maintaining financial stability. In this regard Bank of Uganda (BoU) has adopted the Alliance for Financial Inclusion (AFI) supply side financial Inclusion core indicators for measuring access and usage of financial services.

8.3.2 Types of Payment Systems and Instruments provided by the Bank

8.3.2.1 The ACH (Automated Clearing House)

Effective April 20, 2018 BoU implemented a new ACH with a Cheque Truncation (CT) capability and built on ISO 20022 standard clearing message types.

The new ACH has ushered in the following benefits:

i. The entire country is now on a single clearing platform implying that the entire process of clearing is automated making it faster, safer, efficient and convenient.
ii. The process has facilitated the integration with other systems which has enhanced the clearing and settlement process on STP basis.
iii. The ACH is based on ISO 20022 standard message type which has facilitated compliance with the Anti-Money Laundering Act 2013.
iv. It has enabled timely notification to all clearing participants with regard to the status of the files submitted and the settlement position for purposes of liquidity management.
v. The CT stopped the flow of the physical cheques issued by the presenting banks to the paying banks. The physical instruments are now digitized and images are sent to the paying bank together with the relevant data. CT has the following benefits:

- Reduces or eliminates the physical movement of cheques.
- Reduces the time for accessing the funds. The clearing cycle has reduced to two days, from four and seven days previously for Kampala and upcountry
- Reduces the operational cost of processing the cheques.
- CT also offers the potential for reduction in settlement period which enhances business.
- With the homogeneity of the security features under CT standards such as the embedded verifiable features like bar codes, encrypted codes, logos, watermarks, holograms, CT helps in the detection of frauds.

8.3.2.2 The ACH instruments

i. Cheques

A cheque is an order to transfer funds from the payer's bank to the account of the payee and they remain valid for six months after the date of issue. The use of cheques has traditionally dominated the Ugandan non-cash payments. Despite the development of other payment instruments, cheques remain an important form of payment.

ii. EFTs (Electronic Fund Transfers)

EFT is the electronic transfer of money from one bank account to another either within a single bank/financial institution or across multiple financial institutions via computer based systems without the direct intervention of the bank staff. The EFT systems provide a fast, convenient, reliable and secure domestic payment and collection of funds and are of two types:

- The Direct debits: Funds are transferred automatically from the payer's to payee's bank account. The payer must instruct his/her bank to make direct debit payments for the agreed amounts and dates. This facility can be useful for paying regular bills.
- Credit Transfers: Credit transfers are predominantly used by Government and Corporate entities to transfer salary payments and other credit instructions to the employees' beneficiary accounts.

Table 14 shows the comparison between the EFT and Cheque payments for the FY ended June 2017 and the current year ended June 2018. We note that the growth in the value of EFTs was significant at 11.5 percent compared to the 13.2 percent negative growth in the value of cheques over the two (2) years.

Table 14: EFT and Cheque payments for the FY 2017/18 and FY 2016/17

Year Ended	June, 2018		June, 2017	
	EFTs	Cheques	EFTs	Cheques
Value (UGX trillions)	21.3	5.26	19.1	6.06
Volume (millions)	8.6	1.06	8.6	1.19

The ACH is also multi-currency and currently processes transaction in five currencies of UGX, USD, EUR, KES and GBP. A comparison of the values and volumes of the EFT foreign currencies shows a similar upward trend. The EFT foreign transfers recorded a positive growth while the foreign cheque transfers showed negative growth.

8.3.2.3 The RTGS (Real Time Gross Settlement System)

RTGS is a specialist funds transfer system where the transfer of money or securities takes place from one bank to another on real time and on gross basis. Real time means the transaction is not subjected to any waiting period. Gross means the transaction is settled on one to one basis without bundling or netting with any other transaction. Once processed the payments are final and irrevocable.

RTGS systems are typically used for high value transactions that require immediate clearing. The RTGS is usually designated as a Systemically Important System (SIP) because its failure could trigger disruptions or transmit shocks within the economy. Currently, all banks in Uganda use the RTGS to make time critical payments. The RTGS is fast, reliable, safe, convenient, affordable and accurate. The comparison between RTGS values and volumes between the FY ended June 2017 and the year ended June 2018 showed positive growths of 11.5 percent and 4.5 percent respectively. The RTGS foreign currency transaction values also showed a positive growth trend of 13.6 percent. The proportion of the USD transactions remained dominant at 91 percent.

i. RTGS Settlement of Cards, ACH, CSD and Agency banking transactions

In addition to playing the role of real time funds transfer, the RTGS also settles positions from other systems as described below:

- Cards: The clearing of ATM card transaction is handled by Inter-Switch Uganda. However the settlement is done on the RTGS.
- Agency Banking transactions: During the FY 2017/18, the Bank of Uganda admitted a new participant on the RTGS the "Agency Banking Corporation (ABC)" responsible for clearing of the transactions under the Agency Banking arrangement. The bilateral positions established by ABC are settled on RTGS.
- ACH Clearing Positions: The ACH net positions established after clearing are settled on the RTGS.
- The CSD Funds leg: The RTGS also settles the CSD cash leg on a Delivery versus Payment (DVP) basis.
- The Uganda Securities Exchange (USE): BoU also plans to admit the USE as a new member on the RTGS to facilitate the settlement of transactions done on the Private Securities CSD.

ii. RTGS Failure to Settle Arrangements

The RTGS being the settlement system also handles failure to settle arrangements based on the Intraday Liquidity Facility and Survivors Pay approaches.

- Intraday liquidity: These are funds which are available or can be borrowed during the business day in order to enable financial institutions to effect payments/settlements. Repayment of the funds borrowed should take place before the end of the business day. The borrowing is secured by treasury bills.
- Survivors Pay: This is a loss-sharing arrangement which, in the event of a participant's inability to settle, requires losses to be borne by the other (non-defaulting) participant in accordance with a predetermined formula.

iii. Upgrade of the RTGS Project

The Bank embarked on the RTGS upgrade project to address the existing gaps and migrate to a better version of the system to ensure better interface with other Bank systems and to enhance the services to the participants. The go-live date for the upgrade is estimated to be in the second quarter of the FY 2018/19.

8.3.2.4 The EAPS (East Africa Payment System)

The EAPS supports the integration of the regional RTGS Systems of the Partner States Central Banks of the EAC region and facilitates the transfer of funds within the EAC region using the regional currencies. The comparison of the EAPS values between the year ended June 30, 2017 and June 30, 2018 showed that the outward EAPS values continued to outpace the inward EAPS values and the Kenya Shilling continued to dominate the EAPS transactions (above 80 percent).

8.3.2.5 The CSD (Central Securities Depository)

The CSD is the BoU Government Securities Registration and Settlement System, which is integrated with the Uganda National Inter-Bank Settlement System (UNISS). The CSD maintains the primary record of ownership and settles transactions, on the instructions of the Securities Participants.

8.3.2.6 The REPSS (Regional Payment and Settlement System for COMESA)

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 transactions costs for traders. The system is already operational in nine member states of Uganda, Kenya, Malawi, Mauritius, Rwanda, Swaziland, DRC, Egypt and Zambia. The other members states are expected to join upon the completion of the implementation of the project.

REPSS is a Multilateral Netting system with the end of day settlement in either the USD or Euros. The aim of the system is to stimulate economic growth through increased intra-regional trade by enabling importers and exporters to pay and receive payment for goods and services through an efficient and cost effective platform.

8.3.3 Regulation and Oversight of Payment systems:

8.3.3.1 Regulation

During the FY 2017/18, the Bank was able to complete the following milestones with regard to regulation of Payment systems.

i. Policy and principles for NPS Law

Bank of Uganda drafted the Principles for the enactment of the National Payment Systems Act which were approved by Cabinet in December 2017.

Bank of Uganda working with the Ministry of Justice and Constitutional Affairs embarked on the drafting of the NPS Bill 2018.

ii. Principles for the amendment of the Bills of Exchange Act Cap 68 and Electronic Transactions Act 2011.

The implementation of the new ACH necessitated the amendment of the Bills of Exchange Act Cap 68 and Electronic Transactions Act 2011.

Bank of Uganda drafted the Principles for the amendment of the Bills of Exchange Act Cap 68 and Electronic Transactions Act 2011 which were approved by Cabinet in March 2018.

8.3.3.2 Oversight

With regard to oversight of Payment Systems, Bank of Uganda has embarked on a number of capacity building activities and drafting of the required policy and operational documents including the oversight policy framework.

8.3.3.3 Systems provided by private payment system providers

Bank of Uganda is committed to nurturing e-payments (digital Payments) with the aim of improving safety, efficiency, consumer protection and financial inclusion in the country. Private companies are spearheading the development of digital payments in Uganda and below are some of evolutions that have taken place in the country.

i. Mobile Money

Mobile money refers to a broad spectrum of financial services which can be accessed through a mobile phone. To date mobile money transfer services have evolved in four ways namely:

a. *Mobile money remittances*. Mobile money remittances are associated with funds transfer from one mobile wallet to another. The remittances include both domestic and cross border.

b. Mobile money Payments. The mobile money payments facilitate the buying of goods and services like airtime purchases and utility bills.

c. *Mobile Banking*. Mobile banking, in contrast, specifically refers to the financial services associated with a bank account such as deposits, withdrawals or utilities bill payments.

d. *Mobile financial services*: this is an emerging area focusing on the provision of financial services like borrowing, insurance and pension.

ii. Mobile Money Service Providers

Currently, there are seven mobile money service providers namely; MTN, Airtel, UTL, Africel, M-Cash, Ezeey Money and Micropay with a network of 166,194 agents combined.

While mobile money can include access to e-money, surprisingly most mobile money services are still largely cash-based with service providers acting as intermediary cash agents.

Mobile money transfer services grew in volume and value of transactions during the year to June 2018. The number of mobile money transaction increased by 21 percent from UGX 1.11 trillion to UGX 1.35 trillion during the year to June 2018, while the value of mobile money transactions increased by 38 percent from UGX 52.77 trillion to UGX 73.08 trillion during the same period. The registered mobile users decreased slightly by 1 percent from 22.9 million to 22.7 million during the year out of which 12.8 million or 56.5 percent were active users.

9 Petroleum Revenue Investment Fund

9.1 Petroleum Revenue Management

9.1.1 Petroleum Fund

The Petroleum Fund (PF) was established by 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. Further, the withdrawals from the PF shall only be made under authority granted by an Appropriation Act and a warrant of the Auditor General to the Consolidated Fund, to support the annual budget and to the Petroleum Revenue Investment Reserve (PRIR), for investments.

The Minister of Finance, Planning and Economic Development is responsible for the overall management of the PF and oversees the transfer into and the disbursements from the PF.

9.1.2 Accounts of the PF

The MoFPED maintains two accounts for the PF (one in UGX and another in USD) at Bank of Uganda. In order to ensure transparency and accountability in the management of the PF, the MoFPED opened a USD account at the Federal Reserve Bank, New York, US to receive and hold all USD petroleum related revenue mirroring the one at Bank of Uganda thus separating the petroleum revenue from any other government revenue and reserves.

The account for the PRIR for investment will be opened as will be guided by the operational agreement.

9.1.3 PF Inflows and Outflows

As at July 01, 2017, the opening balance on the PF was USD 109.4 million and UGX 30.9 billion. During the year, the inflows were of USD 3.3 million and UGX 121.8 billion while the outflows were UGX 125.3 billion to finance the 2017/18 budget. Consequently, the balance as at June 30, 2018 stood at USD 87.4 million and UGX 121.8 billion. The details are depicted in Table 15.

Table 15: Summary of transactions on the Petroleum Fund 2017/18

Particulars	USD	UGX
Opening balance at 01 July 2017 of which: Interest receivable USD 473,928	109,488,012.00	30,922,461,076
Add: Revenue Receipts in 2017/18 *of which PAU is USD 813,375***	3,268,913.93	-
Interest earned Jul to Dec 2017	561,307.43	-
Transfer from Consolidated Fund	-	121,840,546,088
Less: Withdrawal to the Consolidated Fund	(25,979,068)	(30,922,461,076)
Closing balance at June 30, 2018	87,339,165.00	121,840,546,088.00

***The revenue comprised mainly of Non-Tax related revenue such as surface rental fees, training fees, and signature bonuses on Production License. The amount includes bank charges of USD 300.*

Source: Bank of Uganda

9.1.4 Petroleum Revenue Investment Reserve

The Bank of Uganda is responsible for the operational management of the PRIR in accordance with the Petroleum Revenue Investment policy issued by the Minister of Finance, Planning and Economic Development.

The investment mandate is subject to appropriation of funds from the Petroleum Fund supported by a warrant of the Auditor General. Since establishment of the Petroleum Fund, no appropriation has been made to the Petroleum Revenue Investment Reserve.

9.1.5 Preparations for The PRIR Mandate

In line with the requirements of the PFM Act 2015, the PRIR will be managed separately from the Central Bank Reserves. Significant Progress has been made towards adequately preparing for the execution of the PRIR Mandate.

i. An internal administrative framework for the management and oversight of operations was formulated. This framework will be reviewed progressively as the fund grows and the workload evolves.

ii. Establishment of compliance systems and procedures are integral to efficient investment management activities. The Bank has put in place IT infrastructure and other key IT resources appropriate for the fund operations.

iii. The Bank continues to undertake liaison and consultative activities with respect to accounting, investment, risk, selection of fund management agents, auditing and research.

iv. The PFM Act 2015 requires that the operational management of the PRIR shall avoid prejudicing the reputation of Uganda as a responsible member of the world community and arrangements are being undertaken to ensure compliance.

9.1.6 Expectations for FY 2018/19

In the Governments Budget for FY 2018/19, MoFPED announced an appropriation of UGX 200 billion from the Petroleum Fund for transfer to the Consolidated Fund.

According to section 59(5) of the PFM Act 2015, money appropriated to the Consolidated Fund from the Petroleum Fund shall be withdrawn quarterly and may in accordance with the annual cashflow plan of Government be invested by BOU and the revenues and benefits shall be available at call.

Additionally, according to Section 62(3), any balance of money in the Petroleum Fund after appropriation to the Consolidated Fund shall be transferred to the Petroleum Revenue Investment Reserve for investment. As soon as the investment policy is issued, we expect to undertake investment of the unappropriated balance.

We anticipate that the Petroleum Fund will receive revenue arising from Capital Gains Tax on the Tullow Oil (U) Ltd sale of part of its stake to Total E&P and CNOOC (U) Ltd.

10 Agricultural Credit Facility (ACF)

10.1 Introduction

Uganda's economy depends on the agricultural sector that contributes over 25 percent of the GDP and employs over 65 percent of the labour force (UBOS, 2017). The sector is a major contributor to the national economic growth, poverty reduction, food security and has been prioritized in the Vision 2040 and the National Development Plan (NDP I and II) as a growth opportunity that will spur Uganda's socio-economic transformation into middle income status by 2040. Despite this importance, the sector still faces a number of challenges and key among them is access to agricultural finance. Financial Institutions in Uganda, like in many other African countries, still hold perceptions of higher risk in agricultural financing and this is exacerbated by a number of factors such as fragmented supply chains, inadequate infrastructure, and sub-optimal policies in areas like the land tenure system, quality inputs, among others.

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 Agreement (MoA) signed by all the stakeholders. The MOA is reviewed regularly in order to address the unique challenges facing the farmers in Uganda.

10.2 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 to raw outputs from the agricultural sector. The Scheme also intends to improve food security and PFI's confidence in lending to the agricultural sector.

10.3 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 loan disbursements. Out of this, UGX 119.11 billion had been transferred to the ACF capital account as at June 30, 2018. The PFIs have also made a commitment to match the GoU contribution in accordance with the MoA. Commercial Banks and Uganda Development Bank Limited contribute 50 percent while the contribution of MDIs and Credit Institutions is limited to only 30 percent of the capital value of each loan extended to the borrower. Replenishment for the GoU contribution is done on a need basis upon request by BoU.

10.4 Performance of the Scheme

The Scheme has registered steady growth over the last eight years since it was established in the year 2009. This progress 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 (11) in December 2010 to sixteen (16) in 2018. In addition, through the ongoing implementation of the ACF Marketing Strategy by BoU, the Scheme's visibility has increased in the public and this can be evidenced by the increase in the number of applications from the PFIs.

As at June 30, 2018, total disbursements amounted to UGX 268.88 billion, extended to 435 eligible projects across the country; of which GOU contribution amounted to UGX 134.79 billion. In addition, UGX 12.28 billion had been committed for projects approved by BoU whose re-imbursement of the GoU contribution was pending fulfillment of the conditions stipulated in the loan offer letters issued to the PFIs, one of them being submission of proof of disbursement to the eligible borrower.

10.5 Procedure of Accessing the ACF

The PFIs are responsible for receiving applications and appraising them to ascertain eligibility, viability and in line with their credit policies and the ACF guidelines. Upon approval, the PFIs, will submit to BoU requests for reimbursement for the GoU contribution.

10.6 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 MoA whose salient features include the following;

10.6.1 Loan Amount

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

10.6.2 Loan Term

The maximum loan period is up to eight (8) years and the minimum is six (6) months. The grace period is up to a maximum of three (3) years.

10.6.3 Interest Rate

The interest rate charged by the PFI to the final borrower is capped at 12 percent per annum. The PFIs are not required to pay interest on the GOU contribution reimbursed to them.

10.6.4 Eligible Purposes

i. The acquisition of agricultural machinery, post-harvest handling equipment, storage facilities, agro processing machinery and equipment, agricultural inputs that include pesticides and fertilizers, acquisition of agricultural machinery for the purpose of renting to other farmers (this however is only eligible to a farmer or an agro processor who will present a good business case), farm improvements like paddocking, working capital for grain trade, biological assets such as banana suckers, plant seedlings, chicks, piglets, cows and goats for restocking the farm. The maximum loan amount to an eligible borrower for biological assets is up to UGX 80 million.

ii. Operating cost requirements are 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.

iii. The ACF does not finance purchase of land, forestry, existing loan facilities and trading in agricultural commodities with the exception of grain.

10.7 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 for grain trade and infrastructure for grain handling. The terms and conditions for the Grain facility include the following:

i. The maximum financeable amount to a single borrower is UGX 10 billion but this cap can be lifted on a case- by- case basis for eligible projects that add significant value to the Agricultural Sector and the economy. GoU contribution is up to 50 percent of the amount extended to the borrower.

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. Repayment of the GoU contribution in respect of the working capital loan will be a one bullet payment upon expiry of the tenure.

iii. The maximum tenure of a loan for capital expenditure for an eligible project under the Grain facility is eight (8) years from the date of disbursement to the borrower with a maximum grace period of three (3) years.

iv. The applicable interest rate for loans advanced to finance grain trade under the Scheme is a maximum of 15 percent per annum.

v. The applicable interest rate for loans advanced to finance capital expenditure under the Scheme is a maximum of 12 percent per annum.

10.8 Activities Funded under the ACF

Since inception, various areas have been financed. These include; On farm which address various farm improvement projects and farm machinery/equipment that facilitate enhanced farm production; Financing working capital for grain trade; Livestock; Post harvest management like warehouses, silos, among others; and agro processing which involves value addition. Table 1 and Figure 1 below show a breakdown of the Scheme disbursements as grouped by activity funded.

Table 16: ACF Portfolio grouped by activity funded as at June 30, 2018

FUNDED ACTIVITY	NO. OF PROJECTS	TOTAL AMOUNT DISBURSED & COMMITTED (UGX)	GOU CONTRIBUTION (UGX)
On farm	276	75,679,461,853	38,317,420,124
Financing working capital for grain trade	21	43,517,100,000	21,766,550,000
Live stock	28	5,824,999,800	3,041,299,900
Post-harvest management	34	20,087,625,919	10,303,384,160
Agro-processing	91	147,357,423,512	73,643,009,226
TOTAL	**450**	**292,466,611,084**	**147,071,663,410**

Source: Bank of Uganda

10.9 Achievements under the ACF

The achievements made in the period under review include:

i. Contribution to increased levels of confidence in agricultural finance from the PFIs resulting into increased lending to the agricultural sector.

ii. Development of innovative financial products in agricultural finance, improved risk management systems and procedures by some PFIs, and various development partners.

iii. Increased access to affordable credit facilities from PFIs by farmers, agro processors and grain traders.

iv. Increased productivity and value to agricultural projects resulting into improved food security and produce that attract better prices thus boosting farmers' income.

v. Contribution to increased employment levels at commercial farms and other agri-businesses.

Figure 14: Grain Storage Facility and Financing crop farming

Source: Bank of Uganda

11 Information Technology

In line with the Bank's objective 'Improve systems and tools', the bank implemented the following improvements;

- The Automatic Clearing House (ACH), which is used for cheque truncation, was implemented to improve Clearing House operations.
- SWIFT Transaction monitoring was implemented to improve monitoring of transactions on the SWIFT platform.
- The Agency Banking platform was implemented to facilitate Agency Banking settlements over RTGS.
- RTGS was rolled out to Branches in the FY2017-18. This has tremendously improved efficiency in currency operations and cut down the time required for verification of Bank deposits and payments.

In a bid to implement BOU's strategic initiative 'Review and implement cyber security role', the bank made the following implementations. The systems enhance the Bank's capability to detect and prevent cyber threats;

- The 2-factor authentication method used to secure access to critical systems in the Bank was upgraded.
- A System that monitors the bank's network for malicious activity or policy violations was enhanced.
- A System which monitors activity on databases was enhanced.

In line with the bank's strategic initiative 'Review IT operations and propose cost cutting measures', ITO implemented virtualization of systems which allows running multiple business operations on the same server thus reducing IT infrastructure costs.

The data center at the Bank's headquarters was expanded to improve its capacity to support the Bank's critical business processes.

During the FY 2017/18, IT commenced SWIFT Customer Security program. This program is still ongoing.

12 Financial Results for the Year Ended June 30, 2018

12.1 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.

12.2 Statement of Profit or Loss and Other Comprehensive Income

12.2.1 Income

The Bank realized net operating income before foreign exchange and fair value gains of UGX 33,187 million in FY 2017/18 compared to UGX 128,322 million of FY 2016/17. The significant decrease in net operating income is mainly attributed to rise in interest expense by 97 percent from UGX 107,602 million to UGX 211,466 million as the Bank used deposit auctions and vertical Repos to mop up excess structural liquidity in the financial system. A detailed discussion of income is presented below:

12.2.2 Interest Income

During the year ended June 30, 2018, the Bank posted interest income of UGX 194,999 million, an 8 percent increase from UGX 179,883 million of FY 2016/17. Table 17 shows the breakdown of interest income.

Table 17: Breakdown of interest income

	30-Jun-2018	30-Jun-2017	Variance	Variance
	UGX (M)	UGX (M)	UGX (M)	%
Externally Managed Funds	67,997	57,004	10,993	19%
Internally Managed Funds	113,117	68,603	44,514	65%
Local interest income	13,885	54,276	(40,391)	-74%
Total interest income	194,999	179,883	15,116	8%

Source: Bank of Uganda

12.2.2.1 Externally Managed Funds

Interest income from the externally managed funds totaled UGX 67,997 million compared to UGX 57,004 million of FY 2016/17. In USD terms, the Bank realised 7 percent more interest income compared to the prior year because of increase in bond yields fueled by three US Federal Reserve interest rate hikes. The growth in the interest income also reflected in Uganda Shillings terms during the year was explained by the depreciation of the Shilling against all major international currencies on account of mixed economic data during the period as well as policy uncertainties in major economies.

12.2.2.2 Internally Managed Funds

Income from internally managed funds increased by 65 percent to UGX 113,117 million from UGX 68,603 million in FY 2016/17. The Bank earned the highest returns in the USD market, which had relatively higher investments compared to the other money markets. In addition, the return on the Australian Dollar (AUD) denominated investments averaged 2.16 percent over the year.

Despite this performance, the negative interest rate on Euro investments remained a challenge, given the need for Bank of Uganda to hold a Euro portfolio to meet Government of Uganda Euro denominated obligations. In spite of the challenge, the Bank embarked on an exercise to seek for other investment options where Euro holdings could be placed efficiently, within the Bank's risk appetite. At the end of the majority of the negative interests Euro Deposits were transferred to the African Central Bank Program (CENDEP) with AFREXIM Bank to earn a projected return of at least 0.42 percent.

12.2.2.3 Local Interest Income

Recapitalisation securities worth UGX 19,810 million were sold for monetary policy operations during the FY 2017/18. The Bank therefore, realised interest income of only UGX 5,523 million from these securities.

12.2.3 Net Non Interest and Other Income

This consists of profit on domestic foreign exchange trade with Government of Uganda, fees and commissions, dividends from Afrexim and other local income. For the FY 2017/18, UGX 49,654 million was realized compared to UGX 56,041 million that was earned in FY 2016/17.

12.2.4 Expenditure

The total expenditure outturn (including interest expense) for FY 2017/18 decreased by 4 percent to UGX 685,014 million from UGX 712,285 million of FY 2016/17. The expenditure is tabulated according to the Bank's core functions in Table 18.

Table 18: Actual expenditure according to core functions of the Bank

	ACTUAL	ACTUAL	
	FY 2017/18	FY 2016/17	VARIANCE %
	UGX(M)	UGX(M)	
Monetary Policy Implementation	238,706	131,412	82%
Supervision, Regulation and Financial Stability	62,235	220,800	-72%
Currency,Banking & Payment systems	199,540	176,585	13%
Reserve Management	17,963	18,104	-1%
Governance and Policy	40,598	43,490	-7%
Business Resilience and Infrastructure	34,869	30,683	14%
Total Core functions	593,911	621,074	-4%
Total support services	87,040	87,789	-1%
Staff loan fair valuation	4,063	3,422	19%
Total expenditure	**685,014**	**712,285**	**-4%**

Source: Bank of Uganda

12.2.4.1 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 core inflation target 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.

During FY 2017/18, the net effect of the Deposit auctions was an injection of UGX 747.5 billion, with an outstanding amount of UGX 606.6 billion at the end of June 2018. Over the same period, the net effect of the REPO instrument was a withdrawal of UGX 97.9 billion, with UGX 973.8 billion Outstanding at the end of June 2018.

Expenditure towards the monetary policy objective amounted to UGX 238,706 million during the year compared an outturn of UGX 131,412 million in 2016/17.

Monetary policy costs were significantly higher compared to the previous financial year. This was largely explained by increased level of structural liquidity leading to higher costs in the mopping up the excess liquidity.

12.2.4.2 Regulation, Supervision and Financial Stability

The Bank has a statutory responsibility of prudential regulation and supervision of financial institutions. In a bid to promote sustainable growth in financial intermediation and institute safe and efficient financial infrastructure, the Bank provided supervisory and regulatory oversight over the financial sector, through on-site inspections and off-site surveillance. Furthermore, the Bank strengthened financial inclusion activities by sensitising the public using awareness campaigns, and holding stakeholder workshops on financial products and services.

Towards this objective, the Bank spent UGX 62,235 million compared to UGX 220,800 million of 2016/17. This significant decrease in Supervision costs is attributed to the downscaling of intervention costs in Crane bank which was a significant item in FY 2016/17.

12.2.4.3 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 especially UGX1000 and UGX 2000 denominations.

Total expenditure towards this objective amounted to UGX 199,540 million compared to UGX 176,585 of FY 2016/17. The higher than anticipated expenditure was reflected in currency costs, which increased by 27 percent from the previous year. The Bank has identified some measures for curb these costs including; enhancing public awareness on proper handling of currency and promotion of E-payments.

12.2.4.4 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 17,963 million to cater for reserve management fees and the related costs compared to UGX 18,104 million of 2016/17. Over 70 percent of this expenditure was spent on External Fund Managers, Custodial fees, providers of trading systems and Rating Agencies.

12.2.4.5 Governance and Policy

The Bank has 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 hosted the Joseph Mubiru Memorial Lecture in December 2017.
- The new Bank of Uganda Strategic Plan 2017-2022 was launched affirming the Banks strategic direction for the next five years.
- Continued to build and maintain good relationships with both external and internal stakeholders through public awareness campaigns, workshops for selected groups, monetary policy communication, dissemination of reports, internal newsletters and press briefings.
- Collaborated with international agencies such as the International Monetary Fund (IMF), African Development Bank (ADB) and the World Bank.
- Participated in regional initiatives such as African Association of Central Banks (AACB), Common Market for East and Southern Africa (COMESA), East African Community Monetary Affairs Committee (EAC-MAC), as well as Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI).
- Undertook activities in partnership with MoFPED, UBOS, and other Ministries, Departments and Agencies of Government.

- Received the 2017 Runners-Up *Financial Reporting* Award for excellence in financial reporting in the Regulatory Institutions category for the fourth year running.
- Extended support to various communities in the areas of institutional capacity building, education, health and social development as part of the Bank's CSR activities.

As a result of these activities, the Bank incurred a cost of UGX 40,598 million compared to UGX 43,490 million of FY 2016/17.

12.2.4.6 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 on software, maintenance fees, and amortisation 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, UGX 34,869 million was utilized by the end of the year as compared to UGX 30,683 million in 2016/17.

12.2.4.7 Support Services and Overheads

These cover administration, finance and accounting services and other institutional support services to the Bank. Total expenditure towards support services amounted to UGX 87,040 million compared to UGX 87,789 million for the year 2016/17.

12.2.5 Income and Expenditure Trends

The current economic environment presented both opportunities and challenges for BoU as it sought to execute its mandate. The Uganda Shilling was affected by both domestic and external forces on account of the open economy. In FY 2017/18, the Uganda Shilling on average depreciated by 4 percent to UGX 3,659.15 per USD from UGX 3,529.68 per USD in FY 2016/17. The Uganda Shilling was generally stable for most of the first three quarters of the financial year, however, during the last quarter of the year, the Shilling weakened, largely on account of global strengthening of the US Dollar. By June 2018, the UGX had depreciated to an average mid-rate of UGX 3,840.48 per USD.

On the expenditure front, increased structural liquidity in the economy led to a hike in the interest expense by 97 percent as the Bank of Uganda incurred high costs in mopping up excess liquidity. In addition, increased demand for currency and the depreciation of the UGX against the major foreign currencies hugely impacted currency costs as well as other items purchased in foreign currency. Table below shows the analysis of the income and expenditure trends over the last five years.

Table 19: Income and Expenditure trends over a period of 5 years

	30-Jun-2018	30-Jun-2017	30-Jun-2016	30-Jun-2015	30-Jun-2014
Interest income	194,999	179,883	206,351	133,808	116,833
Interest expense	(211,466)	(107,602)	(41,610)	(37,828)	(59,997)
Net interest income	(16,467)	72,281	164,741	95,980	56,836
Net non interest and other income	49,654	56,041	65,239	34,370	73,047
Net operating income before foreign exchange & fair valu	33,187	128,322	229,980	130,350	129,883
Net foreign exchange and fair value gain	864,474	380,379	(82,888)	1,536,077	267,608
Net operating income	897,661	508,701	147,092	1,666,427	397,491
General & administration costsExpenses	(241,760)	(234,063)	(212,252)	(186,898)	(190,016)
Currency costs	(155,129)	(132,686)	(93,893)	(64,058)	(62,874)
Financial and professional charges	(18,149)	(17,039)	(15,400)	(13,554)	(11,985)
Impairment loss	(38,149)	(198,018)	(279)	(366)	(231)
Depreciation	(16,303)	(19,127)	(14,204)	(12,984)	(12,060)
Amortization	(4,058)	(3,750)	(1,480)	(1,330)	(3,710)
Total Expenses	(473,548)	(604,683)	(337,508)	(279,190)	(280,876)
	-	-	-	-	-
Net surplus/(deficit)	424,113	(95,982)	(190,416)	1,387,237	116,615
Other comprehensive income for the year	47,769	23,426	25,577	30,224	36,348
Total comprehensive income for the year	471,882	(72,556)	(164,839)	1,417,461	152,963

Source: Bank of Uganda

12.3 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, 2018. The analysis of the position is presented below.

12.3.1 Assets

Total assets increased by 3 percent to UGX 16,197,554 million from UGX 15,677,149 million reported as at June 30, 2017, with foreign assets accounting for 89 percent of the total assets at the end of June 2018.

12.3.1.1 Foreign Assets

In USD terms, the foreign assets increased by 4 percent to USD 3,992 million as at June 30, 2018. The growth was largely attributed to net inflows from Bank of Uganda's foreign exchange intervention programme coupled with inflows related to donor support and projects. The internally managed portfolio grew by 5 percent to USD 2,600 million while the total portfolio with external fund managers stood at USD 1,087 million as at June 30, 2018.

In UGX terms, the foreign assets increased by 4 percent to UGX 14,330,156 million compared to UGX 13,779,523 million as at June 30, 2017. This was due to a net increase of foreign assets, and a depreciation of the UGX against the USD (USD/UGX June 30, 2018: 3,879 and June 30, 2017: 3,590).

12.3.1.2 Domestic Assets

The domestic assets reduced by 2 percent to UGX 1,867,398 million as at June 30, 2018 from UGX 1,897,626 million of June 30, 2017. The reduction was largely explained by the part repayment of loans and advances to Commercial Banks offset by a revaluation gain of UGX 35,498 million on land and buildings as at June 30, 2018.

12.3.2 Liabilities

Total liabilities increased by 1 percent to UGX 12,229,836 million as at June 30, 2018 from the UGX 12,181,313 million as of June 30, 2017, with the biggest portion of this amount being domestic liabilities accounting for 92 percent.

12.3.2.1 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, 2018, the Bank held SDR 173 million units, which is equivalent to UGX 943,291 million, up from UGX 864,229 million reported in June 2017. The increase of 9 percent was due to depreciation of the UGX against SDR.

12.3.2.2 Domestic Liabilities

Domestic liabilities decreased to UGX 11,267,434 million as at June 30, 2018 down from UGX 11,266,396 million as at June 30, 2017. The decline is was due to reduction in deposit auctions and Commercial Bank deposits offset by growth in currency in circulation.

12.3.3 Shareholders' Funds

The Bank's net worth increased by 14 percent to UGX 3,967,718 million at the end of June 2018 from UGX 3,495,836 million at the end of June 2017. The movement in the net worth is explained by the Bank's comprehensive income of UGX 471,882 million.

13 Directors' Report

13.1 Introduction

The Directors are pleased to present their report for the year ended June 30, 2018. 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.

13.2 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 on financial and economic matters and issuer of currency notes and coins as dictated by economic requirements.

13.3 Operating Financial Results

The Directors present the financial statements for the year ended June 30, 2018 as set out on pages 85 to 154 of this report. The Bank registered total comprehensive income of UGX 471,882 million (2017: loss of UGX 72,556 million).

13.4 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, 2018 (June 30, 2017: Nil).

13.5 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	Member
James Kahoza	Member
Ibrahim K Kabanda (Served up to 10 November 2017)	Member
Josephine Okui Ossiya (Appointed 18 February 2018)	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 one 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.

13.6 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, 2018, M/s Ernst & Young, Certified Public Accountants, were appointed to conduct the external audit exercise on behalf of the Auditor General.

13.7 Approval of the Financial Statements

The financial statements were approved at a meeting of the Board of Directors held on September 20, 2018.

Susan Kanyemibwa

Bank Secretary

September 20, 2018

14 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, 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, 2018 and of its net surplus 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 20, 2018 and were signed on its behalf by:

Chairman	Director	Director
September 20, 2018	September 20, 2018	September 20, 2018

15 Report of the Auditor General to Parliament

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

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of Bank of Uganda set out on pages 85 to 154, which comprise the statement of financial position as at June 30, 2018, 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 June 30, 2018, 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 in 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
Impairment of amount due from Crane Bank Limited (in receivership)	
As at June 30, 2018, Bank of Uganda had injected net intervention costs of UGX 434,846 million into Crane Bank	I obtained an understanding of the process to intervene in Crane Bank and reviewed

Limited (in receivership) as set out in Note 22. The Bank also recognised a receivable from dfcu Bank in relation to the January 2017 sale of specific assets and liabilities of Crane Bank Limited (in receivership) to dfcu Bank. The sale was made for a consideration of UGX 200,000 million payable over two and a half years. As at June 30, 2018, dfcu Bank had paid UGX 80,000 million, and the outstanding receivable amounted to UGX 120,000 million. The receivable from dfcu Bank is fully secured by government treasury securities. Therefore, the outstanding balance on the Crane Bank Limited (in receivership) account amounted to UGX 355,922 million, composed of UGX 120,000 million due from dfcu Bank and UGX 235,922 million due from Crane Bank Limited (in receivership). The amount due from dfcu Bank is interest free and recoverable in 10 quarterly instalments over a two and a half year period that commenced in the third quarter of 2017. The outstanding balance was discounted to its present value of UGX 87,780 million and recognised in the financial statements as disclosed in Note 22. A fair valuation difference of UGX 7,257 million has been recognised in profit or loss for the year ended June 30, 2018. Significant assumptions and judgments were applied in determining the inputs (such as the discount rate) for the fair valuation of the UGX 120,000 million due from dfcu Bank which was discounted using estimated treasury bond rates over the two and a half year repayment period. 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, the amount due from Crane Bank Limited (in receivership) of UGX 235,922 million has been fully provided for, due to uncertainty of its recoverability. 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.	the documents supporting the intervention costs. I reviewed the computation of the present value of the amount due from dfcu Bank. I reviewed management's assumptions used in the assessment of impairment of the asset and checked them for reasonableness. I reviewed the presentation and disclosures included in Note 22 to the financial statements for appropriateness. I obtained confirmations from the Bank's lawyers to evaluate the completeness on the legal expenses incurred by the Bank in relation to Crane Bank Limited (in receivership), and to conclude whether all contingent liabilities have been disclosed in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. I reviewed the "Purchase of Assets and Assumptions of Liabilities Agreement" between the Bank of Uganda and dfcu Bank to assess whether the Bank of Uganda has complied with the obligations attained from the Agreement. I reviewed the "Confidential and Release Agreement" between Bank of Uganda and Mr. Sudhir Ruparelia (former Crane Bank Limited major shareholder) to assess whether the Bank has complied with the terms of the Agreement. I reviewed Bank Statements to check that dfcu Bank has repaid the amounts due, in compliance with the "Purchase of Assets and Assumptions of Liabilities Agreement." I reviewed the disclosures in the financial statements to assess whether the Bank has adequately disclosed the amounts in accordance with IFRS 7 Financial Statements: Disclosures.
Impairment of Bank of Uganda's capital	
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. As at June 30, 2018, the core capital of the Bank was below the minimum required capital by UGX 468,864 million (2017: UGX 37,313 million) as disclosed in Note 43 to the financial statements. The operating losses of the Bank during the year ended	I reviewed the Bank of Uganda Act, Section 14(3) and checked for compliance of the bank's paid-up capital with the requirements of the Act. I discussed and evaluated management's explanation for the factors that led to the impairment of the capital. I discussed with management the measures

June 30, 2018 were mainly attributable to interest expenses paid out to financial institutions on deposit auctions and vertical repos issued by the Bank in the management of monetary policy as per the Bank's mandate, and currency costs of Ushs 155 billion (79% of the interest income). The costs of implementation of monetary policy that have caused the Bank's core capital erosion are currently fully borne by the Bank. I considered this issue to be a key audit matter since inadequate capital poses a business risk to the Bank and its operations.	that the Bank is taking to address the capital shortfall. I also assessed the reasonableness and feasibility of those plans. I reviewed the presentation and disclosures of the matter included in Note 43 to the financial statements for appropriateness. I discussed with the directors, the feasibility of the proposed amendments to the Bank of Uganda Act, in addressing the capital adequacy issues at the Bank.

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 my 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

September 21, 2018

16 Financial Statements

16.1 Statement of Profit or Loss and Other Comprehensive Income

Year ended		Note	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Operating income				
	Interest income	3	194,999	179,883
	Interest expense	4	(211,466)	(107,602)
Net interest income			**(16,467)**	**72,281**
	Profit on domestic foreign exchange trade	5	26,717	22,427
	Fees and commissions	6	1,243	6,184
	Other income	7	21,694	27,430
Net non interest and other income			**49,654**	**56,041**
Net operating income before foreign exchange & fair value gain			**33,187**	**128,322**
	Net foreign exchange and fair value gain	9	864,474	380,379
Net operating income			**897,661**	**508,701**
Expenses	General & administration costs	10	(241,760)	(234,063)
	Currency costs	12	(155,129)	(132,686)
	Financial and professional charges	13	(18,149)	(17,039)
	Impairment loss	14	(38,149)	(198,018)
	Depreciation	25	(16,303)	(19,127)
	Amortization	27	(4,058)	(3,750)
Total Expenses			**(473,548)**	**(604,683)**
Net surplus/(deficit)		**15**	**424,113**	**(95,982)**
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
	Fair value gains/(losses) on available for sale financial instruments	8	27,320	(12,507)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
	Revaluation of property, plant and equipment	8	(1,155)	52,214
	Actuarial gains/(losses) on defined benefit pension plan	24	21,604	(16,281)
Other comprehensive income for the year			**47,769**	**23,426**
Total comprehensive income for the year			**471,882**	**(72,556)**

16.2 Statement of Financial Position

As at				30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Assets	**Foreign assets**	Cash and cash equivalents	16	932,585	694,111
		Investments at fair value through profit or loss	17 (a)	-	7,666,964
		Investments held-for-trading	17 (b)	4,162,689	3,931,248
		Investments available-for-sale	17 (c)	1,374,329	1,229,444
		Held to maturity Investments	17 (d)	1,667,928	-
		Loans and receivables	17 (e)	5,865,657	-
		Derivative financial instruments	18	75,489	23,072
		Assets held with IMF	19	251,479	234,684
	Total foreign assets			**14,330,156**	**13,779,523**
	Domestic assets	Investments in government securities	20	-	19,810
		Loans, advances and drawdowns to government	21	972,500	928,765
		Loans and advances to commercial banks	22	87,780	160,522
		Staff loans	23	101,298	91,028
		Retirement benefits plan	24	39,293	11,616
		Property, plant and equipment	25	295,693	263,409
		Finance lease on land	26	56,454	46,725
		Intangible assets	27	13,907	13,201
		Other assets	28	300,473	362,550
	Total domestic assets			**1,867,398**	**1,897,626**
Total assets				**16,197,554**	**15,677,149**
Liabilities	**Foreign liabilities**	IMF obligations	19	943,291	864,229
		Other foreign liabilities	29	416	416
		Derivative financial instruments	18	18,695	50,272
	Total foreign liabilities			**962,402**	**914,917**
	Domestic liabilities	Currency in circulation	30	4,314,740	3,865,778
		Government deposits	31	3,333,340	3,208,771
		Commercial & Central banks' deposits	32	1,938,902	2,084,460
		Repos	33	1,576,211	2,025,480
		Other liabilities	34	104,241	81,907
	Total domestic liabilities			**11,267,434**	**11,266,396**
Total liabilities				**12,229,836**	**12,181,313**
	Equity	Issued capital	35	20,000	20,000
		BoU recapitalisation funds	36	960,017	960,017
		Reserves	37	2,987,701	2,515,819
	Total Equity			**3,967,718**	**3,495,836**
Total liabilities & equity				**16,197,554**	**15,677,149**

The financial statements were approved by the Board of Directors on September 20, 2018 and signed on its behalf by;

Chairman	Director	Director

16.3 Statement of Changes in Equity

	Issued capital	BoU recapitalisation funds	Translation reserve	Asset revaluation reserve	Fair value gains/ (losses) on available for sale financial instruments	Revenue reserve	General reserve	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
At 1 July 2016	**20,000**	**860,017**	**2,890,793**	**139,466**	**68,618**	**(909,779)**	**399,277**	**3,468,392**
Deficit for the year	-	-	-	-	-	(95,982)	-	(95,982)
Other comprehensive income	-	-	-	*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)	-	-
At 30 June 2017	**20,000**	**960,017**	**3,271,172**	**182,815**	**56,111**	**(1,393,555)**	**399,277**	**3,495,836**
At 1 July 2017	**20,000**	**960,017**	**3,271,172**	**182,815**	**56,111**	**(1,393,555)**	**399,277**	**3,495,836**
Surplus for the year	-	-	-	-	-	424,113	-	424,113
Other comprehensive income	-	-	-	*(1,155)*	*27,320*	*21,604*	-	*47,769*
Total comprehensive income	-	-	-	(1,155)	27,320	445,717	-	471,882
Revaluation surplus release	-	-	-	(8,811)	-	8,811	-	-
Foreign Exchange and fair value losses	-	-	864,474	-	-	(864,474)	-	-
At 30 June 2018	**20,000**	**960,017**	**4,135,646**	**172,849**	**83,431**	**(1,803,502)**	**399,277**	**3,967,718**

16.4 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-2018 UGX (m)	30-Jun-2017 UGX (m)
Cash flows from operating activities:	Net surplus/(deficit) for the year		424,113	(95,982)
	Amortisation	27	4,058	3,750
	Depreciation	25	16,303	19,127
	Dividends from AFREXIM Bank	7	(3,342)	(1,848)
	Loss on sale of PPE	10	457	362
	Provision for impairment loss on other assets	28	55	131
	Provision for impairment loss on staff loans	23	55	4
	Provision for impairment loss on loans to commercial banks	22	38,039	197,883
	Defined benefit plan costs charged to profit or loss	24	8,012	6,286
			487,750	129,713
Foreign Assets	Decrease/(increase) in investments at fair value through profit or loss		7,666,964	(1,111,936)
	Increase in investments held-for-trading		(231,441)	(242,126)
	Increase in investments available-for-sale		(117,565)	(754,548)
	Increase in held to maturity Investments		(1,667,928)	-
	Increase in loans and receivables		(5,865,657)	-
	Increase in derivative financial instruments		(52,417)	(6,345)
	Increase in assets held with IMF		(16,795)	(10,188)
	Increase in total foreign assets		(7,951,803)	(1,003,019)
	Decrease in investments in government securities		19,810	384,529
	Increase in loans, advances and drawdowns to government		(43,735)	(189,015)
	Decrease/(increase) in loans and advances to commercial banks		34,703	(358,405)
	Increase in staff loans		(10,325)	(18,494)
	Decrease/(increase) in other assets		62,022	(45,680)
	Decrease/(increase) in total domestic assets		62,475	(227,065)
	Increase in total assets		(7,889,328)	(1,230,084)
Foreign liabilities	Increase in IMF obligations		79,062	41,688
	(Decrease)/increase in derivative financial instruments		(31,577)	22,580
	Increase in total foreign liabilities		47,485	64,268
Domestic Liabilities	Increase in currency in circulation		448,962	474,176
	Increase in government deposits		124,569	429,584
	Decrease in commercial & Central banks' deposits		(145,558)	(224,226)
	(Decrease)/increase in repos		(449,269)	1,572,494
	Payments from special provident fund		-	(2,967)
	Increase in other liabilities		22,334	18,519
	Increase in total domestic liabilities		1,038	2,267,580
	Increase in total liabilities		48,523	2,331,848
	Net Cash from Operations		313,187	109,353
	Bank contribution to BoU defined benefit plan	24	(14,085)	(12,976)
	Net Cash from Operating Activities		299,102	96,377
Cash flows from investing activities:	Proceeds from sale of property, plant and equipment		-	678
	Purchase of property, plant and equipment		(59,037)	(32,070)
	Purchase of software	27	(4,934)	(10,725)
	Dividends from AFREXIM Bank	7	3,342	1,848
	Net Cash used in investing Activities		(60,629)	(40,269)
Cash flows from financing activities:	BoU recapitalisation	36	-	100,000
	Net Cash used in Financing Activities		-	100,000
	Increase in cash and cash equivalents		238,473	156,108
	Add: Cash and Cash Equivalents at the beginning of the year		694,111	538,003
	Cash and Cash Equivalents at 30 June	16	932,585	694,111

17 Notes to the Financial Statements for the Year Ended June 30, 2018

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 45 – 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 during the reporting period

Amendments	Effective Date	Effect on BoU
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)		
Amends IAS 12 Income Taxes to clarify the following aspects: • 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. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • 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.	Effective for annual periods beginning on or after 1 January 2017	IAS 12 did not have any impact on the financial statements of the Bank.
Disclosure Initiative (Amendments to IAS 7)		
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.	Effective for annual periods beginning on or after 1 January 2017	The amendment did not have any impact on the financial statements of the Bank.
Annual Improvements to IFRS Standards 2014–2016 Cycle		
Makes amendments to the following standard: • 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	The amendments 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.
Editorial Corrections (various)		
The IASB periodically issues Editorial Corrections and changes to IFRSs and other pronouncements. Since the beginning of calendar 2013, such corrections have been made in March 2013, September 2013, November 2013, March 2014, September 2014, December 2014, March 2015, April 2015, September 2015, December 2015, March 2016, May 2016, September 2016, December 2016, September 2017, and November 2017.	As minor editorial corrections, these changes are effectively immediately applicable under IFRS	The amendments did not have any impact on the financial statements of the Bank.

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

New or revised standards	Effective Date	Effect on BoU
IFRS 9 Financial Instruments		
Finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: • Classification and measurement. 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 under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • Impairment. 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. • Hedge accounting. 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 • Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	Effective for annual periods beginning on or after 1 January 2018	See 2.4.3 below
IFRS 15 Revenue from Contracts with Customers		
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: • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts • Recognise revenue when (or as) the entity satisfies a performance obligation.	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018	The amendment is not expected to have any impact on the financial statements of the Bank.
IFRS 16 Leases		
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise 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.
IFRS 17 Insurance Contracts		
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	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 is not expected to have any impact on the financial statements of the Bank.

Contracts as of 1 January 2021.		
IFRIC 22 Foreign Currency Transactions and Advance Consideration		
The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • 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 • the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: • 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. • If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.	Applicable to annual reporting periods beginning on or after 1 January 2018	IFRIC 22 is not expected to have any impact on the financial statements of the Bank.
IFRIC 23 Uncertainty over Income Tax Treatments		
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: • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRIC 23 is not expected to have any impact on the financial statements of the Bank.
Clarifications to IFRS 15 'Revenue from Contracts with Customers'		
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.	Effective for annual periods beginning on or after 1 January 2018	The Standard is not expected to have any impact on the financial statements of the Bank.
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)		
Amends IFRS 2 Share-based Payment to clarify the standard in 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.	Effective for annual periods beginning on or after 1 January 2018	The amendment is not expected to have any impact on the financial statements of the Bank
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)		
Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: • an option that permits entities to reclassify, from	Overlay approach to be applied when IFRS 9 is first applied.	The amendment is not expected to have any impact on the

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; • 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. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.	Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.	financial statements of the Bank.
Transfers of Investment Property (Amendments to IAS 40)		
The amendments to IAS 40 Investment Property: • 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. • 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.	Effective for annual periods beginning on or after 1 January 2018	The amendments are not expected to have any impact on the financial statements of the Bank.
Annual Improvements to IFRS Standards 2014–2016 Cycle		
Makes amendments to the following standards: • IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose • 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	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018	The amendments are not expected to have any impact on the financial statements of the Bank.
Prepayment Features with Negative Compensation (Amendments to IFRS 9)		
Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	Annual periods beginning on or after 1 January 2019	The Bank is currently assessing the impact of the new standard on its financial statements.
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)		
Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	Annual periods beginning on or after 1 January 2019	The amendment is not expected to have any impact on the financial statements of the Bank.
Annual Improvements to IFRS Standards 2015–2017 Cycle		
Makes amendments to the following standards: • IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The	Annual periods beginning on or after 1 January 2019	The amendments are not expected to have any impact on the financial

amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. • IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.		statements of the Bank.
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)		
The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are: • If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.	Annual periods beginning on or after 1 January 2019	The amendments are not expected to have any impact on the financial statements of the Bank
Amendments to References to the Conceptual Framework in IFRS Standards		
Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.	Annual periods beginning on or after 1 January 2020	The amendments are not expected to have any impact on the financial statements of the Bank.

2.4.3 Impact of IFRS 9 on the Bank of Uganda

2.4.3.1 Nature of change

IFRS 9 Financial Instruments published in July 2014 replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. The Standard introduces changes in the way financial instruments are classified and measured, a new impairment model, and a new approach to hedge accounting that better aligns with risk management practices. The Bank implemented the Standard effective 1 July 2018.

2.4.3.2 Classification and measurement of financial assets and liabilities

IFRS 9 applies one classification approach for all types of financial assets based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Upon recognition each financial asset will be classified as either fair value through profit or loss (FVTPL), amortized cost or fair value through other comprehensive (FVOCI). As the requirements under IFRS 9 are different than the assessments under the existing IAS 39 rules, some differences to the classification and measurement of financial assets under IAS 39 are expected. The classification and measurement of financial liabilities remain largely unchanged under IFRS 9 from current requirements.

The Bank has done an initial determination of business models and assessed the contractual cash flow characteristics of the financial assets to determine the potential classification and measurement changes as a result of IFRS 9. In addition, the Bank has determined that the assets measured at amortized cost and FVOCI will be subject to IFRS 9 impairment rules. However, the actual impact that IFRS 9 classification and measurement will have on the Bank is mainly dependent on the business models and the inventory of financial assets which exist at the effective date and as such the Bank will roll forward the analysis during FY 2018/19 to take into consideration any changes in business strategies and composition of financial assets.

2.4.3.3 Impairment of Financial Assets

The impairment requirements of IFRS 9 apply to financial assets that are measured at amortized cost or FVOCI and off balance sheet lending commitments such as loan commitments and financial guarantees. The determination of impairment losses and allowance will move from incurred credit loss model whereby credit losses are recognized when a defined loss event occurs under IAS 39, to an expected loss model under IFRS 9, where provisions are taken upon initial recognition of the financial assets based on the expectations of potential credit losses at that time under IFRS 9. Under IFRS 9 for financial assets originated or purchased, the Bank will recognize a loss allowance at an amount equal to 12 month expected credit losses. If the credit risk at the reporting date has not significantly increased since initial recognition (Stage1). This amount represents the expected credit losses resulting from default events that are possible within the next twelve months. The interest revenue is calculated on the gross carrying amount for financial assets in stage 1. IFRS 9 requires the recognition of credit losses over the remaining life of the financial assets (lifetime expected losses) which are considered to have experienced a significant increase in credit risk (stage 2) and for financial assets that are credit impaired at the reporting date (Stage 3). The lifetime expected credit losses represent all possible default events over the expected life of a financial instrument.

The Bank leverages existing risk management indicators (e.g. watch list, fair risk), credit rating changes and taking into consideration reasonable and supportable information which allows the Bank to identify whether the credit risk of financial assets has significantly increased. The process includes considering forward looking information including macro-economic factor. Furthermore, financial assets will be transferred to stage 2 if 30 days past due. The interest revenue is calculated on the gross carrying amount for financial assets in stage 2. As the primary definition for credit impaired financial assets moving to stage 3, the Bank will apply the default definition as laid out in the Bank's Transition and Accounting guidelines for IFRS 9. Interest revenues are calculated on the net carrying amount for these financial assets only. Forward looking information, including macro-economic factors must be taken into account to measure IFRS 9 compliant expected credit losses. IFRS 9 does not distinguish between individually significant or not individually significant financial instruments. Therefore, the Bank decided to measure the allowance for credit losses on an individual transaction basis. Similarly, the assessment for transferring assets between stages 1, 2 and 3 will also be made on an individual transaction basis.

For detailed information on the current impairment approach under IAS 39, please refer to note 14 on impairment of loans and advances. The Bank uses three main components to measure expected credit losses which are probability of default (PD), a loss given default (LGD) and the exposure at default (EAD). For the purpose of IFRS 9, the allowance for credit losses is affected by a variety of key characteristics such as, but not limited to, the expected balance at default and the related amortization profile as well as the expected life of the financial asset. As consequence, the allowance for credit losses for stage 2 financial assets will increase with the expected lifetime of the expected EAD. Incorporating forecasts of future economic conditions into the measurement of expected credit losses will additionally cause an impact on the allowance for credit losses for each stage. In order to calculate lifetime expected credit losses, The Bank's calculation includes deriving the corresponding lifetime PDs from migration matrices that reflect the economic forecasts. To determine whether a financial asset is credit impaired and thus must be classified as stage 3, one or more events must be identified that have a detrimental impact on the estimated future cash flows.

As a result of adopting IFRS 9, there will be an increase in subjectivity as the allowance for credit losses will be based on reasonable and supportable forward looking information which will take into consideration future macroeconomic scenarios. These macroeconomic scenarios are continuously monitored and in addition to being used in the Bank's expected credit loss calculation. IFRS 9 is estimated to result in an increase in the overall level of allowances for credit losses as noted above. This estimated increase is driven by the requirement to record an allowance equal to 12 months expected credit losses on those instruments whose credit risk has not significantly increased since initial recognition and driven by the larger population of financial assets to which lifetime expected losses must be applied.

2.5 Reclassifications

On July 01, 2017 the Bank reclassified its foreign denominated term deposits with external institutions and Treasury Bills from Investments at fair value through profit or loss. The Bank now classifies these financial instruments as Loans and receivables and Held to maturity investments respectively. Prior to this change in policy, the Bank classified the financial instruments as Investments at fair value through profit or loss. UGX 5,804,009 million was reclassified to loans and receivables while UGX 1,862,955 million was reclassified to held to maturity investments. All these investments had matured as at June 30, 2018.

The Bank believes the new policy is preferable as it more closely aligns the accounting for these transactions with the current Investment Policy.

2.6 Functional and Presentation Currency

The financial statements are presented in Uganda Shillings which is the Bank's functional currency. Except where indicated, financial information presented in Uganda shillings has been rounded to the nearest million.

2.7 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:

2.7.1 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.

2.7.2 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.

2.8 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.

2.9 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.

2.9.1 Financial Assets

2.9.1.1 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 and US Treasury bills 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. The Bank currently classifies funds externally managed by fund managers as held for trading.

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. The Bank classifies the Internally managed fixed income portfolio, shares in Afrexim Bank and SWIFT shares as available for sale.

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) Term deposits with external financial institutions,

b) Loans and advances and drawdowns to Government,

c) Loans and advances to commercial banks,

d) Staff loans,

e) Assets held with International Monetary Fund (IMF),

f) Cash and cash equivalents, and

g) Sundry debtors.

vi. 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 the 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.

2.9.1.2 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.

2.9.1.3 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.

2.9.2 Financial Liabilities

2.9.2.1 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.

2.9.2.2 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.

2.9.2.3 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.

2.9.3 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.

2.9.4 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.

2.10 Impairment

2.10.1 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.

2.10.1.1 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 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.

2.10.1.2 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.

2.10.2 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 property, plant and equipment previously revalued with the revaluation surplus taken to OCI. For such property, plant and equipment, the impairment is recognised in OCI up to the amount of any previous revaluation.

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

2.11 Property, Plant and Equipment

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

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

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

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

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%
	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%

Major Category	Minor Category	Useful Life (Yrs.)	Depreciation Rate	Salvage Value
Vehicles	Forklifts	15	7%	1.00%
	Security	15	7%	1.00%
	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, plant and equipment in use.

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

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

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

2.12 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.

2.13 Intangible Assets

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

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

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

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

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

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

2.14 Consumable Stores Stocks

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

2.15 Currency Printing and Minting Costs

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

2.16 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.

2.17 Demonetisation of Currency

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

2.18 Provisions

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

2.19 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.

2.20 Repurchase and Sale Agreement

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

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

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

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

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

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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.24.1 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 15-year government bond yield in line with the general requirements of IAS 19: Employee Benefits.

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

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

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

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

2.24.2 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.

2.24.3 Gratuity

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

2.24.4 Other Employee Benefits

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

2.25 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	41
• Quantitative disclosures of fair value measurement hierarchy	41
• Derivative financial instruments	18 & 41
• Investments	17
• Property and equipment under revaluation model	25 & 26

2.26 Financial Assets and Financial Liabilities

2.26.1 Financial Assets

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Financial instruments at fair value through profit or loss:		
Investments at fair value through profit or loss	-	7,666,964
Investments held for trading	4,162,689	3,931,248
Derivative financial instruments	75,489	23,072
Financial instruments at fair value through OCI:		
Investments available for sale	1,374,329	1,229,444
Financial instruments held to maturity:		
Investments in government securities	-	19,810
Held to maturity Investments	1,667,928	-
Loans and receivables:		
Loans and receivables	5,865,657	-
Loans, advances and drawdowns to government	972,500	928,765
Cash and cash equivalents	932,585	694,111
Assets held with IMF	251,479	234,684
Loans and advances to commercial banks	87,780	160,522
Other assets	66	143
Staff loans	101,298	91,028

2.26.2 Financial Liabilities

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Financial instruments at fair value through profit or loss:		
Derivative financial instruments	18,695	50,272
Other liabilities at amortised cost:		
IMF obligations	943,291	864,229
Government deposits	3,333,340	3,208,771
Commericial bank deposits	1,938,902	2,084,460
Other liabilities	104,241	81,907
Repos	1,576,211	2,025,480

3 Interest Income

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Interest income on term deposits with external institutions	71,280	50,784
Interest income on treasury bills investments	23,337	7,724
Interest income on repurchase agreements	3,224	1,490
Interest income on Bank of Uganda managed funds	13,449	7,972
Interest income-externally managed funds	67,997	57,004
Interest income on assets held with IMF	1,827	633
Interest income on investments in government securities*	5,523	48,193
Interest income on loans and advances to commercial banks	2,400	1,023
Interest income on staff loans**	5,962	5,060
	194,999	**179,883**

* This relates to income earned on BoU recapitalisation securities as at June 30, 2018 (see note 20).

** Included in interest income on staff loans is UGX 4,063 million (June 30, 2017: UGX 3,422 million) relating to notional interest arising out of staff loans fair valuation in accordance with IAS 39.

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.

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Interest paid to IMF (SDR allocation charges)	6,805	2,330
Vertical repo interest	204,661	105,272
	211,466	**107,602**

5 Profit on Domestic Foreign Exchange Trade

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Income from foreign currency trade	26,717	22,427
	26,717	**22,427**

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

6 Fees and Commissions

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Commissions- foreign currency operations	1,243	6,184
	1,243	**6,184**

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

7 Other Income

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Licence and cheque fees	1,125	1,152
Sale of receipt books	4	8
Sale of currency	21	6
Rental income	-	47
Real time gross & national interbank settlement systems	4,503	3,879
Fines, penalties & hire of bullion vans	83	129
Write back of staff loans previously written off/provisions (note 23)	-	234
Write back of amounts previously written off/provisions	2,278	2,580
Other income	4,209	11,286
Dividends from Afrexim	3,342	1,848
Currency processing fees	6,129	6,261
	21,694	**27,430**

8 Other Comprehensive Income

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Actuarial gain/(loss) on defined benefit plan (see note 24)	21,604	(16,281)
Fair value gains/(losses) on available for sale financial instruments*	27,320	(12,507)
Revaluation of property, plant and equipment	(1,155)	52,214
	47,769	**23,426**

*This relates to fair value gains as a result of valuation of the AFREXIM (UGX 35,323 million), and SWIFT shares (UGX 607 million) as at June 30, 2018. Furthermore, the fair value losses relating to BoU Managed funds amount to UGX 8,610 million.

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

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Foreign exchange gains	911,035	463,805
Fair value gains on investments at fair value through profit or loss	-	12,075
Fair value losses on investments held for trading	(53,818)	(134,979)
Fair value gains on loans and receivables (note 22)	7,257	39,478
	864,474	**380,379**

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-2018	30-Jun-2017
US Dollars	3,880	3,591
Euro	4,498	4,103
GBP	5,100	4,666
SDR	5,450	4,993

10 General and Administration Costs

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Staff costs (note 11)	173,485	168,251
Loss on disposal of property, plant and equipment	457	362
Business process enhancement	9,529	8,426
Communication expenses	7,005	6,182
Water & electricity	3,230	3,290
Ground rates & buildings insurance	1,128	1,102
Repairs & maintainance - premises & equipment	4,650	5,163
Motor vehicle expenses	3,644	3,325
Travel costs	7,790	7,304
Corporate contributions	5,618	7,334
Publicity & public awareness costs	3,886	5,141
Printing & stationery	1,792	1,879
Inspection costs	1,470	1,451
General & administration costs	1,490	42
Furniture & equipment repairs	2,496	2,819
Office expenses-uniforms	220	443
J Mubiru memorial lecture	154	330
Directors' fees and emoluments	1,699	1,983
Software license & maintenance	12,017	9,236
	241,760	**234,063**

11 Staff Costs

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Salaries,wages & allowances	134,390	131,193
NSSF- contribution & provision	9,517	9,468
Defined contribution scheme pension contributions	5,003	2,897
Defined benefit plan costs (Note 24)	8,012	6,286
Other defined benefit plan expenses	-	1,952
Special provident fund - contributions	-	331
Gratuity	75	97
Death in service insurance	800	656
Staff welfare including medical	11,949	10,784
Projects and training	3,739	4,587
	173,485	**168,251**

* Included in defined benefit plan costs is UGX 8,012 million relating to current service and interest cost on the plan in accordance with IAS 19 (June 30, 2017: UGX 6,286 million).

The average number of employees during the year was 1,086 (2017: 1,103) as shown below:

	30-Jun-2018 No of Staff	30-Jun-2017 No of Staff
Governor	1	1
Deputy Governor	1	1
Executive Directors	13	11
Directors	31	26
Other	1,040	1,064
	1,086	**1,103**

12 Currency Costs

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Notes printing	140,788	116,518
Coins minting	9,632	11,421
Stock movement	766	720
Currency accessories	391	368
Currency machine maintenance	2,264	2,035
Bullion van maintenance	330	583
Other currency costs	958	1,041
	155,129	**132,686**

13 Financial and Professional Charges

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Consultancy costs	2,688	2,425
Litigation fees & legal damages	818	1,731
Staff loans fair valuation*	4,063	3,422
Reserve management fees and other charges	10,320	9,300
Valuers' fees	8	7
Retainer fees	70	-
Audit fees	130	120
Other professional fees	52	34
	18,149	**17,039**

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

14 Impairment Loss

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Provision for impairment loss on other assets (Note 28)	55	131
Provision for impairment loss on staff loans (Note 23)	55	4
Provision for impairment loss on loans to commercial banks (Note 22)	38,039	197,883
	38,149	**198,018**

15 Net Surplus for the Year

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

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Audit fees	130	120
Other professional fees	52	34
Directors' emoluments	391	236
Directors' fees	1,308	1,747
Depreciation	16,303	19,127
Amortisation	4,058	3,750
Staff costs (note 11)	173,485	168,251
Litigation fees & legal damages	818	1,731
Other income	(4,209)	(11,286)

16 Cash and Cash Equivalents

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Foreign currency held in banking	84,012	30,742
Cash with foreign financial institutions	464,818	328,315
Repurchase agreements	383,755	335,054
	932,585	**694,111**

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-2018 UGX (m)	30-Jun-2017 UGX (m)
(a) At fair value through profit or loss		
Term deposits with external institutions	-	5,804,009
Treasury bills investments	-	1,862,955
	-	**7,666,964**
(b) Held-for-trading		
Externally managed funds	4,162,689	3,931,248
	4,162,689	**3,931,248**
(c) Investments available-for-sale		
Bank of Uganda managed funds	1,179,066	1,085,319
AFREXIM shares	193,453	143,027
SWIFT shares	1,810	1,098
	1,374,329	**1,229,444**
(d) Held to maturity Investments		
Treasury bills investments	1,667,928	-
	1,667,928	**-**
(e) Loans and receivables		
Term deposits with external institutions	5,865,657	-
	5,865,657	**-**

Investments at fair value through profit or loss included fair value gains of UGX 12,075 million during the FY 2016/17 while investments held for trading include fair value losses of UGX 32,050 million (June 30, 2017: UGX 40,735 million).

17.1 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.

17.2 Available-For-Sale Investments

17.2.1 Afrexim Shares

The investment in African Export Import (Afrexim) Bank is in respect of Class A equity shares. As at June 30, 2018, the Bank held 2,371 Class A shares at a total cost USD 23,245,769 In accordance with IAS 39, the shares were valued at a price of USD 21,028 per share resulting in a fair value gain which has been recognised in other comprehensive income. 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.

17.2.2 Swift Shares

The Bank holds 78 shares in the Society for Worldwide Interbank Financial Telecommunication (SWIFT) at a value of Euro 402,480 as at June 30, 2018. 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.

17.2.3 BoU Managed Funds

The Bank invests in Treasury bonds with the US Federal Reserve Bank, KFW, Asian Development Bank, African Development Bank, Nordic Investment Bank and Oesterreichische Kontrollbank. These are classified as available for sale.

17.3 Held to Maturity

The Bank invests in US treasury bills and these investments are held to maturity in accordance with the accounting policy.

17.4 Loans and Receivables

The Bank invests in financial instruments with low risk/highly rated financial institutions. These investments include term deposits that are classified as loans and receivables.

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-2018 UGX (m)	30-Jun-2017 UGX (m)
Assets		
Forward foreign exchange contracts	73,226	22,248
Interest rate swaps	2,263	824
	75,489	**23,072**
Liabilities		
Forward foreign exchange contracts	14,594	47,730
Interest rate swaps	4,101	2,542
	18,695	**50,272**
Notional amounts		
Forward foreign exchange contracts	3,562,837	3,490,902
Interest rate swaps	611,398	736,890
Futures	1,835,368	1,909,192

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)

Assets	30-Jun-2018 UGX (m)	30-Jun-2018 SDR (m)	30-Jun-2017 UGX (m)	30-Jun-2017 SDR (m)
IMF SDR holdings	251,479	46	234,684	46
	251,479	**46**	**234,684**	**46**
Liabilities				
IMF account no. 2	29	1	26	1
IMF SDR allocation	943,262	173	864,203	173
	943,291	**174**	**864,229**	**174**

The assets represent IMF SDR Holdings held on behalf of Government of Uganda of SDR 46 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-2018 UGX (m)	30-Jun-2018 SDR (m)	30-Jun-2017 UGX (m)	30-Jun-2017 SDR (m)
IMF Quota	**1,803,674**	361	1,617,710	361
	1,803,674	**361**	**1,617,710**	**361**
Liabilities				
IMF account no. 1	1,700,185	339	1,519,242	339
IMF Securities	103,489	22	98,468	22
	1,803,674	**361**	**1,617,710**	**361**

The Other International Monetary Fund accounts not recognised consist of the Uganda Government total membership capital subscription Quota of SDR 361 million and the corresponding IMF I and securities accounts which are the responsibility of Government of Uganda (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, 2018.

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

19.2.3 SDR Department

	SDR Million	% Allocation
Net cumulative allocation	173.06	100.00
Holdings	46.14	26.66

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 [1]	Sep 13, 2002	Jan 31, 2006	14	14
ECF [1]	Nov 10, 1997	Mar 31, 2001	100	100
ECF [1]	Sep 06, 1994	Nov 17, 1997	121	121

[1/] 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
Total	**0.03**	**0.07**	**0.07**	**0.07**	**0.07**

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)	68.90	91.00	
(SDR equivalent in millions)	51.51	68.10	
Completion point date	Apr 1998	May 2000	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	51.51	68.10	119.61
Interim assistance	-	8.20	8.20
Completion point balance	51.51	59.90	111.41
Additional disbursement of interest income**	-	2.06	2.06
Total disbursements	51.51	70.16	121.67

* 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)*	87.73
Financed by: MDRI Trust	75.85
Remaining HIPC resources	11.88

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	GRA	PRGT	Total
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-2018 UGX (m)	30-Jun-2017 UGX (m)
BoU recapitalization securities	-	19,810
	-	**19,810**

BoU recapitalisation securities represented the unredeemed treasury bonds arising out of the recapitalisation measures undertaken by the Government of Uganda. In FY 2017/18, all the recapitalization securities were sold as part of the Monetary Policy operations. 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-2018 UGX (m)	30-Jun-2017 UGX (m)
Letters of comfort*	140,487	140,487
Project charges	-	90
Government capital account**	-	106,175
Treasury bills for repos (zero coupon)***	972,500	822,500
Provision for impairment losses	(140,487)	(140,487)
Total	**972,500**	**928,765**
Provision for impairment losses;		
At the beginning of the year	(140,487)	(140,487)
At 30 June	**(140,487)**	**(140,487)**

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, 2018, this amount was fully impaired.

** Government capital account related to interest on matured securities paid on behalf of GoU in FY 2016/17.

*** 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-2018 UGX (m)	30-Jun-2017 UGX (m)
Intervention costs in Crane Bank Ltd	434,846	397,883
Less: provision for impairment loss	(235,922)	(197,883)
Receivable from DFCU Bank Ltd	198,924	200,000
Fair value adjustment	(32,221)	(39,478)
Repayments	(78,923)	-
Net Receivable from DFCU Bank Ltd	**87,780**	**160,522**
Provision for impairment loss:		
At 1 July	(197,883)	-
Provision for impairment loss:	(38,039)	(197,883)
At 30 June	**(235,922)**	**(197,883)**

Bank of Uganda intervened in the affairs of Crane Bank Ltd under the Financial Institutions Act 2004 in FY 2016/17. The Bank has incurred net costs of UGX 433,461 million in this respect. A provision of UGX 234,537 million has been made in the financial statements of the Bank pending the finalisation of the liquidation process. The net balance of UGX 198,924 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 198,924 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 7,257 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.

During FY 2017/18, dfcu Bank has paid four instalments amounting to UGX 78,923 million.

23 Staff Loans

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Staff loans, advances and imprest to staff	26,913	23,498
Staff building loans	27,621	22,627
Staff loans, advances at fair value	54,534	46,125
Deferred staff cost	47,691	45,776
Staff loans, advances at cost	102,225	91,901
Provision for impairment (see below)	(927)	(873)
	101,298	**91,028**
Provision for impairment:		
At 1 July	(873)	(1,103)
Additional provision during the year	(55)	(4)
Recoveries/write back of provisions (see Note 7)	1	234
At 30 June	**(927)**	**(873)**

The Bank provides loans and advances to staff at interest rates below the market rates. The rates range from 0 percent to 3 percent, depending on the loan type. The loans and advances have maturity terms ranging between 3 months and 20 years, depending on whether or not staff are on permanent and pensionable terms. The loans and advances have been marked to market and the fair value adjustment is deferred over the loan repayment periods. Apart from the house loans and five year general purpose advances which are secured by mortgages, annual general purpose advances and salary advances are not secured. All mortgages are covered by an insurance policy of an amount that is twice the outstanding loan balances.

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 x average salary for service prior to June 30, 2013 x Service Period less the value of NSSF Contribution balances. For service after June 30, 2013, the benefit is determined as 1/65 x average salary for service after June 30, 2013 x 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, 2018.

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.

vii. 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 14,140 million in contribution to its defined benefits plan in the FY 2018/19.

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

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Fair value of plan assets	412,435	346,924
Present value of defined benefit obligations	(373,142)	(335,308)
Employee benefits receivable	**39,293**	**11,616**

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-2018 UGX (m)	30-Jun-2017 UGX (m)
Current service cost net of employees' contributions	10,380	8,817
Interest cost on net benefit obligation	(2,181)	(2,803)
Adjustment for prior year values	(187)	272
Total included in staff costs	**8,012**	**6,286**

The amounts recognised under other comprehensive income are as follows:

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Net actuarial gains and experience adjustments arising from demographic assumptions	(52,983)	(10,104)
Net actuarial losses and experience adjustments arising from financial assumptions	26,793	1,534
Actual return less interest cost on plan assets	4,586	24,851
Total included in other comprehensive income	**(21,604)**	**16,281**

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

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Net asset at start of the year	11,616	21,207
Net expense recognised in profit or loss	(8,012)	(6,286)
Actuarial gain/(loss) recognised in OCI	21,604	(16,281)
Employer contributions	14,085	12,976
Net asset at end of the year	**39,293**	**11,616**

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

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Investments quoted in active markets:		
Treasury bills at amortised cost	42,330	39,146
Treasury bonds at fair value	222,648	201,177
Infrastructure bond	1,243	1,092
Corporate bonds at amortised cost	2,409	2,429
Listed equities	120,744	85,071
Cash and cash equivalents:		
Cash and bank	1,738	2,272
Short term deposits	6,578	7,195
Net current liabilities	(13,926)	(19,938)
Unquoted investments:		
Unlisted equities	171	180
Investment Property	28,500	28,300
	412,435	**346,924**

The principal actuarial assumptions in real terms are as follows:

	30-Jun-2018	30-Jun-2017
Discount rate	15.03%	15.98%
Expected return on plan assets	15.03%	15.98%
Future salary increase	14.03%	14.98%
Future pension increase	13.03%	13.98%

The discount rate used is 15.03 percent per annum. The discount rate is based on the 15-year government bond yield in line with the general requirements of the IFRS. However, the gap between the discount rate and the future salary and pension increases has been kept constant at 1 percent and 2 percent per annum respectively when compared with the FY 2016/17 assumptions.

As at June 30, 2018, the weighted average duration of the defined benefit obligation is 15.4 years. (June 30, 2017: 13.3 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 Increase Rate Increased by 1%	Scenario - 5 Discount Rate Decreased by 1%	Scenario - 6 Salary Rate Decreased by 1%	Scenario - 7 Pension Increase Rate Decreased by 1%
Discount Rate	15.03%	16.03%	15.03%	15.03%	14.03%	15.03%	15.03%
Salary Rate	14.03%	14.03%	15.03%	14.03%	14.03%	13.03%	14.03%
Pension Increase Rate	13.03%	13.03%	13.03%	14.03%	13.03%	13.03%	12.03%
	UGX (m)	**UGX (m)**	**UGX (m)**	**UGX (m)**	**UGX (m)**	**UGX (m)**	**UGX (m)**
Net asset at start of year	**11,616**	**11,616**	**11,616**	**11,616**	**11,616**	**11,616**	**11,616**
Net expense recognised in profit or loss	(8,012)	(8,012)	(8,012)	(8,012)	(8,012)	(8,012)	(8,012)
Net expense recognised in the other comprehensive income	21,604	74,321	4,855	(23,650)	(44,372)	36,376	59,720
Employer contributions	14,085	14,085	14,085	14,085	14,085	14,085	14,085
Net (liability)/ asset at end of year	**39,293**	**92,010**	**22,544**	**(5,961)**	**(26,683)**	**54,065**	**77,409**

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	17,962
1-5 years	64,205
>5 years	138,540
Pensioners and Deferreds	152,435

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)
Cost or Valuation										
As at 01 July 2016	**27,362**	**135,609**	**119,004**	**-**	**-**	**10,114**	**32,917**	**15,637**	**7,514**	**348,157**
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)
As at 01 July 2017	**27,362**	**135,857**	**64,362**	**3,450**	**11,456**	**-**	**7,705**	**20,410**	**13,271**	**283,873**
Additions	-	840	36,549	219	1,101	-	1,195	3,432	16,423	59,759
Reclassification	-	4,953	-	-	-	-	-	4,783	(9,736)	-
Revaluation surplus	10,624	15,145	-	-	-	-	-	-	-	25,769
Eliminated on revaluation	-	(14,436)	-	-	-	-	-	-	-	(14,436)
Disposals/Write-offs	-	(36)	(37,078)	(53)	(1,871)	-	(224)	-	-	(39,262)
As at 30 June 2018	**37,986**	**142,323**	**63,833**	**3,616**	**10,686**	**-**	**8,676**	**28,625**	**19,958**	**315,703**
Depreciation										
As at 01 July 2016	**-**	**8,843**	**90,530**	**-**	**-**	**8,173**	**28,392**	**12,184**	**-**	**148,122**
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)
As at 01 July 2017	**-**	**11,722**	**1,341**	**188**	**492**	**-**	**580**	**6,141**	**-**	**20,464**
Charge for the year	-	2,996	4,484	550	1,427	-	1,691	5,155	-	16,303
Eliminated on revaluation	-	(14,436)	-	-	-	-	-	-	-	(14,436)
Disposals	-	(2)	(2,080)	(11)	(181)	-	(48)	-	-	(2,322)
As at 30 June 2018	**-**	**280**	**3,745**	**727**	**1,738**	**-**	**2,223**	**11,296**	**-**	**20,010**
Net Carrying Amount										
As at 30 June 2018	**37,986**	**142,043**	**60,088**	**2,889**	**8,948**	**-**	**6,453**	**17,329**	**19,958**	**295,693**
As at 30 June 2017	**27,362**	**124,135**	**63,021**	**3,262**	**10,964**	**-**	**7,125**	**14,269**	**13,271**	**263,409**

The Bank's land and buildings at June 30, 2018 were revalued by independent and certified professional valuers, Stanfield Property Partners Ltd. 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 35,498 million was recognised in the Asset Revaluation Reserve in FY 2017/18. The revaluation surplus is not distributable to shareholders.

During the FY 2016/17, the Bank revised its accounting policy for property, plant and equipment and and 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 45.

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-2018 UGX (m)	30-Jun-2017 UGX (m)
Free hold and leasehold land (cost)	31,554	31,554
Net Carrying Amount	**31,554**	**31,554**

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Buildings (cost)	116,094	116,094
Accumulated depreciation and impairment	(30,180)	(10,060)
Net Carrying Amount	**85,914**	**106,034**

	Plant & Machinery UGX (m)	Furniture UGX (m)	Equipment UGX (m)	Computer Equipment UGX (m)	Motor Vehicles UGX (m)	Totals UGX (m)
As at 1 July 2016						
Cost	63,833	3,616	10,686	7,721	28,625	114,481
Accumulated depreciation	(17,431)	(878)	(2,783)	(2,531)	(10,223)	(33,846)
Net carrying amount 30 June 2017	**46,402**	**2,738**	**7,903**	**5,190**	**18,402**	**80,635**
Accumulated depreciation	(17,431)	(878)	(2,783)	(2,531)	(10,223)	(33,846)
Net carrying amount 30 June 2018	**28,971**	**1,860**	**5,120**	**2,659**	**8,179**	**46,789**

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-2018 UGX (m)	30-Jun-2017 UGX (m)
At 1 July	46,725	46,765
Revaluation surplus	9,729	-
Disposal	-	(40)
At 30 June	**56,454**	**46,725**

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 hold the land in perpetuity.

The Bank has commenced conversion of all leasehold land into freehold and accordingly ceased amortisation of the leasehold land on July 01, 2008.

The leasehold land was revalued on June 30, 2018. The assumptions relating to the revaluation of finance lease on land are included under note 45.

27 Intangible Assets

		Software UGX (m)	Work- In-Progress UGX (m)	Totals UGX (m)
Cost or Valuation	**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 1 July 2017	**41,699**	**4,300**	**45,999**
	Additions	2,396	2,538	4,934
	Reclassification	1,462	(1,462)	-
	Write off	(278)	-	(278)
	As at 30 June 2018	**45,279**	**5,376**	**50,655**
Amortisation	**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 1 July 2017	**32,798**	**-**	**32,798**
	Charge for the year	4,058	-	4,058
	Write off	(108)	-	(108)
	As at 30 June 2018	**36,748**	**-**	**36,748**
Net Carrying Amount	**As at 30 June 2018**	**8,531**	**5,376**	**13,907**
Net Carrying Amount	**As at 30 June 2017**	**8,901**	**4,300**	**13,201**

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

28 Other Assets

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Consumable store stock	2,430	2,560
Prepayments & accrued income	103	57
Money remittance institutions	-	216
Deferred currency costs *	298,016	359,961
Sundry debtors	66	143
Provisions for impairment losses	(142)	(387)
	300,473	**362,550**
Provisions for impairment losses:		
At beginning of the year	(387)	(261)
Additional provisions	(55)	(131)
Write offs during the year	300	5
At 30 June	**(142)**	**(387)**

* 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-2018 UGX (m)	30-Jun-2017 UGX (m)
Multi-lateral Investment Guarantee Agency (MIGA)	38	38
IDA 13 Subscriptions	56	56
IDAG MDRI Subscriptions	94	94
International Bank for Reconstruction & Dev't (IBRD)	228	228
	416	**416**

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

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

30 Currency in Circulation

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Notes	4,184,569	3,715,989
Coins	138,662	159,184
Cash held in banking	(8,378)	(9,282)
Office imprest	(113)	(113)
	4,314,740	**3,865,778**

Currency-in-circulation represents notes and coins issued by Bank of Uganda as at June 30, 2018 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-2018 UGX (m)	30-Jun-2017 UGX (m)
Petroleum Fund	457,538	423,681
Government deposit letters of credit accounts	113,072	87,869
Government ministries accounts	69,072	146,737
Government projects accounts	1,483,550	1,341,216
Government of Uganda managed funds through DFS*	61,760	45,445
Government capital accounts	972,500	832,274
Uganda consolidated fund	175,848	331,549
	3,333,340	**3,208,771**

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, 2018. The Bank does not pay interest on the accounts. The deposits are payable on demand and therefore the carrying amount approximates their fair value. Included in the Government Capital Accounts are Treasury bills and Treasury Bonds held at the Bank for monetary policy, recapitalisation and repo purposes. The securities for monetary policy and recapitalisation are re-discountable at the Bank rediscount rate.

* The Government of Uganda managed funds through Development Finance Schemes (DFS) includes a net balance of UGX 61,760 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-2018 UGX (m)	30-Jun-2017 UGX (m)
Agricultural Credit Facility (ACF) Capital	119,114	97,437
Less:		
ACF Loans to commercial banks	(57,470)	(52,278)
Net balance on ACF capital	**61,644**	**45,159**
Other funds	116	286
Total Government of Uganda managed funds	**61,760**	**45,445**

As at June 30, 2018, 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 960,017 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-2018 UGX (m)	30-Jun-2017 UGX (m)
BoU recapitalisation securities	960,017	960,017
BoU recapitalisation receivable account	(960,017)	(960,017)
Net Position	-	-

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

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Government Deposits	3,333,340	3,208,771
Government Loans, Drawdowns and Advances (see note 21)	(972,500)	(928,765)
Net Uganda Consolidated Fund Position	**2,360,840**	**2,280,006**

32 Commercial & Central Bank Deposits

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Current accounts by commercial & central banks	1,910,854	2,056,759
Cash recovered from closed commercial banks	2,970	2,974
Collection from closed banks' loans	25,078	24,727
	1,938,902	**2,084,460**

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

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Repos collection account	1,576,211	2,025,480
	1,576,211	**2,025,480**

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 Other Liabilities

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Uninvested pension fund cash	1,573	148
Deposit Protection Fund*	21,479	20,438
Accounts payable	33,086	15,673
Other creditors	48,101	45,648
Money remittance institutions	2	-
	104,241	**81,907**

* The DPF is an independent 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.

35 Authorised and Issued Share Capital

	30-Jun-2018 UGX (m)	30-Jun-2017 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, 2018, UGX 20 billion was issued and fully paid.

36 BoU Recapitalisation Funds

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
BoU recapitalisation securities	960,017	960,017
	960,017	**960,017**

The Bank was recapitalised by Government of Uganda, in accordance with the Bank of Uganda Act section 14 (4), with treasury securities worth UGX 960,017 million as at June 30, 2018.

37 Reserves

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Asset revaluation reserve*	172,849	182,815
Revenue reserve**	(1,803,502)	(1,393,556)
General reserve***	399,277	399,277
Fair value gains on Available for sale financial instruments****	83,431	56,111
Unrealised translation reserve*****	4,135,646	3,271,172
	2,987,701	**2,515,819**

* 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 assets and liabilities.

The distributable deficit is arrived at as follows:

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Total comprehensive income for the year	471,882	(72,556)
Foreign exchange and fair value gains	(864,474)	(380,379)
Deficit sharing with Government	**(392,592)**	**(452,935)**

The distributable deficit refers to the net surplus for the Bank excluding foreign exchange and fair value gains.

38 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.

38.1 Legal Proceedings

The Bank is a litigant in various cases for breach of contract arising in the normal course of business amounting to UGX 4,185 million (2017: UGX 330 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.

38.2 Capital Commitments

As at June 30, 2018, the Bank's capital commitments in respect of plant and equipment, office machine and equipment and building works amounted to UGX 42,650 million compared to UGX 39,595 million as at June 30, 2017.

38.3 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.

38.4 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, 2018, the total outstanding letters of credit on behalf of Government amounted to UGX 113,071 million (2017: UGX 87,869 million).

39 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.

39.1 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.

39.1.1 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.

39.2 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 staff, commercial banks, Government of Uganda and investment securities.

39.2.1 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.

39.2.2 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).

39.2.3 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.

39.2.4 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.

39.2.5 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 20: Credit Risk Profile

Loans and Advances	Government		Commercial Banks		Staff Loans	
In millions of shillings	**30-Jun-2018**	**30-Jun-2017**	**30-Jun-2018**	**30-Jun-2017**	**30-Jun-2018**	**30-Jun-2017**
Carrying Amount	972,500	928,765	87,780	160,522	101,298	91,028
Individually Impaired:						
Government ministries	140,487	140,487	-	-	-	-
Closed commercial banks	-	-	235,922	197,883	-	-
Staff loans	-	-	-	-	927	873
Gross Amount	140,487	140,487	235,922	197,883	927	873
Allowance for impairment	(140,487)	(140,487)	(235,922)	(197,883)	(927)	(873)
Carrying amount	-	-	-	-	-	-
Collectively impaired:	-	-	-	-	-	-
Gross Amount	-	-	-	-	-	-
Allowance for impairment	-	-	-	-		
Past due but not impaired:						
Low-fair risk	-	-	-	-	-	-
Watch list	-	-	-	-	-	-
Carrying amount	-	-	-	-	-	-
Past due comprises:						
180 days+	-	-	-	-	-	-
Carrying amount	-	-	-	-	-	-
Neither past due nor impaired:						
Carrying amount	972,500	928,765	87,780	160,522	101,298	91,028
Total carrying amount	**972,500**	**928,765**	**87,780**	**160,522**	**101,298**	**91,028**

Set above is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets.

39.2.6 Credit Risk Exposure

39.2.6.1 Credit Risk Exposure by Credit Rating

Total assets of the Bank exposed to credit risk as of June 30, 2018 and June 30, 2017 are presented in Table 21 below according to the classification of assets (classification according to external credit rating is done based on credit ratings published by Moody's).

Table 21: Credit risk exposure by credit ratings FY 2017/18

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Cash and cash equivalents		
Foreign currency held in banking	84,013	30,742
Central Banks	742,610	523,784
Multinational Institution	3,785	14,443
A1	18,779	-
A2	44,559	-
Aa1	13,583	49,722
Aaa	-	75,420
Ba2	25,258	-
Investments at fair value through profit or loss		
Central Banks	-	1,919,217
Multinational Institution	-	848,254
Aaa	-	1,916,347
Aa1	-	2,983,146
Held for trading investments		
Aaa	1,800,546	2,006,560
A1	919,560	731,880
A2	148,173	20,888
A3	29,373	138,875
Aa1	133,076	295,026
Aa2	740,731	595,429
Aa3	391,230	142,590
Investments available for sale		
Aaa	1,179,066	1,085,319
Multinational Institution	195,263	144,125
Held to maturity investments		
Central Banks	1,667,928	-
Loans and receivables		
A1	2,131,459	-
A2	671,552	-
Aa2	1,987,627	-
Aa3	1,075,020	-
Derivatives	75,489	23,072
Assets held with IMF		
Multinational Institution	251,479	234,684
Investments in government securities	-	19,810
Loans, advances and drawdowns to government	972,500	928,765
Loans and advances to commercial banks	87,780	160,522
Staff loans	101,298	91,028
Other assets	114	143
Total	**15,491,849**	**14,979,791**

39.2.6.2 Credit Risk Exposure by Sector

The sectorial classification of the Bank's credit exposure as of June 30, 2018 is as follows:

Table 22: Credit risk exposure by sector FY 2017/18

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	740,943	4,163	-	-	103,493	-	-	83,986	932,585
Held for trading investments	1,987,410	-	530,218	-	449,032	1,196,029	-	-	4,162,689
Investments available for sale	1,179,066	195,263	-	-	-	-	-	-	1,374,329
Held to maturity investments	1,667,928	-	-	-	-	-	-	-	1,667,928
Loans and receivables	-	-	-	-	5,865,657	-	-	-	5,865,657
Derivatives	-	-	-	-	75,489	-	-	-	75,489
Assets held with IMF	-	251,479	-	-	-	-	-	-	251,479
Loan, advances and drawdowns to Government	-	-	-	-	-	-	972,500	-	972,500
Loans to commercial banks	-	-	-	87,780	-	-	-	-	87,780
Staff loans	-	-	-	-	-	-	-	101,298	101,298
Other assets	-	-	-	-	-	-	-	114	114
Total Assets	**5,575,347**	**450,905**	**530,218**	**87,780**	**6,493,672**	**1,196,029**	**972,500**	**185,398**	**15,491,849**

The sectorial classification of the Bank's credit exposure as of June 30, 2017 is as follows:

Table 23: Credit risk exposure by sector FY 2016/17

Details	Foreign Country Treasury UGX (m)	Supranational Institutions UGX (m)	Foreign Companies UGX (m)	Domestic Financial Institutions UGX (m)	Foreign Financial Insitutions 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	848,253	-	-	4,899,494	-	-	-	7,666,964
Held for trading investments	2,170,196	-	538,266	-	185,017	1,037,769	-	-	3,931,248
Investments available for sale	1,085,319	144,125	-	-	-	-	-	-	1,229,444
Derivatives	-	-	-	-	23,072	-	-	-	23,072
Assets held with IMF	-	234,684	-	-	-	-	-	-	234,684
Domestic investments-Government securities	-	-	-	-	-	-	19,810	-	19,810
Loan, advances and drawdowns to Government	-	-	-	-	-	-	928,765	-	928,765
Loans to commercial banks	-	-	-	160,522	-	-	-	-	160,522
Staff loans	-	-	-	-	-	-	-	91,028	91,028
Other assets	-	-	-	-	-	-	-	143	143
Total Assets	**5,698,516**	**1,241,505**	**538,266**	**160,522**	**5,232,725**	**1,037,769**	**948,575**	**121,913**	**14,979,791**

39.2.6.3 Credit Risk Exposure by Geographical Location

Geographical analysis of concentrations of assets and liability of the Bank as of June 30, 2018 is as follows:

Table 24: Credit risk exposure by geographical location FY 2017/18

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	84,013	729,968	85,058	22,328	1,511	9,707	932,585
Held for trading investments	-	961,951	137,207	1,360,999	264,068	1,438,464	4,162,689
Investments available for sale	-	1,179,065	-	-	1,810	193,453	1,374,329
Held to maturity investments	-	1,667,928	-	-	-	-	1,667,929
Loans and receivables	-	1,008,600	3,564,763	217,882	701,348	373,063	5,865,657
Derivatives	-	-	75,489	-	-	-	75,489
Assets held with IMF	-	251,479	-	-	-	-	251,479
Domestic investments-Government securities	972,500	-	-	-	-	-	972,500
Loans to commercial banks	87,780	-	-	-	-	-	87,780
Staff loans	101,298	-	-	-	-	-	101,298
Other assets	114	-	-	-	-	-	114
Total Assets	**1,245,705**	**5,798,991**	**3,862,518**	**1,601,209**	**968,738**	**2,014,687**	**15,491,849**

Table 25: 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	34,427	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	-	1,085,319	-	-	1,098	143,028	1,229,444
Derivatives	-	-	23,072	-	-	-	23,072
Assets held with IMF	-	234,684	-	-	-	-	234,684
Domestic investments-Government securities	19,810	-	-	-	-	-	19,810
Advances to Government	928,765	-	-	-	-	-	928,765
Loans to commercial banks	160,522	-	-	-	-	-	160,522
Staff loans	91,028	-	-	-	-	-	91,028
Other assets	142	-	-	-	-	-	142
Total Assets	**1,231,009**	**4,523,319**	**3,322,396**	**2,677,907**	**1,435,330**	**1,789,830**	**14,979,791**

39.3 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 26 and Table 27 below. The analysis is based on undiscounted amounts:

Table 26: Liquidity profile 2017/18

			30-Jun-2018 UGX (m)	Matured UGX (m)	<3 Months UGX (m)	4-12 Months UGX (m)	1-5 Years UGX (m)	> 5 Years UGX (m)
Assets	**Foreign assets**	Cash and cash equivalents	932,585	932,585	-	-	-	-
		Investments held-for-trading	4,162,689	-	-	4,162,689	-	-
		Investments available-for-sale	1,374,329	-	-	1,179,067	-	195,262
		Held to maturity Investments	1,667,928	-	-	1,667,928	-	-
		Loans and receivables	5,865,657	-	-	5,865,657	-	-
		Derivative financial instruments	75,489	-	75,489	-	-	-
		Assets held with IMF	266,911	-	-	-	-	266,911
	Total foreign assets		**14,345,588**	**932,585**	**75,489**	**12,875,341**	-	**462,173**
	Domestic assets	Loans, advances and drawdowns to government	972,500	-	972,500	-	-	-
		Loans and advances to commercial banks	87,780	-	-	-	87,780	-
		Staff loans	103,836	-	-	3,158	30,690	69,988
		Other assets	114	-	143	-	-	-
	Total domestic assets		**1,164,230**	**-**	**972,643**	**3,158**	**118,470**	**69,988**
Total assets			**15,509,818**	**932,585**	**1,048,132**	**12,878,499**	118,470	**532,161**
Liabilities	**Foreign liabilities**	IMF obligations	1,001,456	-	-	-	-	1,001,456
		Other foreign liabilities	416	-	416	-	-	-
		Derivative financial instruments	18,695	-	18,695	-	-	-
	Total foreign liabilities		**1,020,567**		**19,111**	**-**	-	**1,001,456**
	Domestic liabilities	Government deposits	3,333,340	-	3,333,340	-	-	-
		Commercial & Central banks' deposits	1,938,902	-	1,938,902	-	-	-
		Repos	1,576,211	-	1,576,271	-	-	-
		Other liabilities	104,241	-	104,241	-	-	-
	Total domestic liabilities		**6,952,694**	**-**	**6,952,754**	**-**	**-**	**-**
Total liabilities			**7,973,261**	**-**	**6,971,865**	**-**	-	**1,001,456**
		Net liquidity gap	**7,536,557**	**932,585**	**(5,923,733)**	**12,878,499**	**118,470**	**(469,295)**

Table 27: Liquidity profile 2016/17

			30-Jun-2017 UGX (m)	Matured UGX (m)	<3 Months UGX (m)	4-12 Months UGX (m)	1-5 Years UGX (m)	> 5 Years UGX (m)
Assets	**Foreign assets**	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	1,229,444	-	-	-	1,179,066	50,378
		Derivative financial instruments	23,072	-	23,072	-	-	-
		Assets held with IMF	248,997	-	-	-	-	248,997
	Total foreign assets		**13,793,836**	**694,111**	**23,072**	**11,598,212**	1,179,066	**299,375**
	Domestic assets	Investments in government securities	22,782	-	-	-	22,782	-
		Loans, advances and drawdowns to government	928,765	-	928,765	-	-	-
		Staff loans	78,520	-	-	1,805	31,146	45,569
		Other assets	143	-	143	-	-	-
	Total domestic assets		**1,190,589**	**-**	**928,908**	**1,805**	**53,928**	**45,569**
Total assets			**14,984,425**	**694,111**	**951,980**	**11,600,017**	1,232,994	**344,944**
Liabilities	**Foreign liabilities**	IMF obligations	865,029	-	-	-	-	865,029
		Other foreign liabilities	416	-	322	-	-	94
		Derivative financial instruments	50,272	-	50,272	-	-	-
	Total foreign liabilities		**915,717**	**-**	**50,594**	**-**	**-**	**865,123**
	Domestic liabilities	Government deposits	3,208,771	-	2,779,187	-	-	-
		Commercial & Central banks' deposits	2,084,460	-	2,084,460	-	-	-
		Repos	2,025,480	-	2,025,546	-	-	-
		Other liabilities	81,907	-	81,907	-	-	-
	Total domestic liabilities		**7,400,618**	**-**	**6,971,100**	**-**	**-**	**-**
Total liabilities			**8,316,335**	**-**	**7,021,694**	**-**	-	**865,123**
		Net liquidity gap	**6,668,090**	**694,111**	**(6,069,714)**	**11,600,017**	**1,232,994**	**(520,179)**

39.3.1 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.

39.4 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.

39.4.1 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 28: Interest risk analysis 2017/18

			30-Jun-2018 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)
Assets	**Foreign assets**	Cash and cash equivalents	932,585	848,573	-	-	-	84,012
		Investments held-for-trading	4,162,689	-	-	4,162,689	-	-
		Investments available-for-sale	1,374,329	-	-	1,179,067	-	195,262
		Held to maturity Investments	1,667,928	-	-	1,667,928	-	-
		Loans and receivables	5,865,657	-	-	5,865,657		
		Derivative financial instruments	75,489	-	-	-	-	75,489
		Assets held with IMF	251,479	-	-	-	251,479	-
	Total foreign assets		**14,330,156**	**848,573**	**-**	**12,875,341**	**251,479**	**354,763**
	Domestic assets	Loans, advances and drawdowns to government	972,500	-	-	-	-	972,500
		Loans and advances to commercial banks	87,780	-	-	74,829	12,951	-
		Staff loans	101,298	-	-	2,792	98,506	-
		Other assets	114	-	-	-	-	114
	Total domestic assets		**1,161,692**	**-**	**-**	**77,621**	**111,457**	**972,614**
Total assets			**15,491,848**	**848,573**	**-**	**12,952,962**	**362,936**	**1,327,377**
Liabilities	**Foreign liabilities**	IMF obligations	943,291	-	-	-	943,291	-
		Other foreign liabilities	416	-	-	-	-	416
		Derivative financial instruments	18,695	-	-	-	-	18,695
	Total foreign liabilities		**962,402**	**-**	**-**	**-**	**943,291**	**19,111**
	Domestic liabilities	Government deposits	3,333,340	-	-	-	-	3,333,340
		Commercial & Central banks' deposits	1,938,902	-	-	-	-	1,938,902
		Repos	1,576,211	1,576,211	-	-	-	-
		Other liabilities	104,241	-	-	-	-	104,241
	Total domestic liabilities		**6,952,694**	**1,576,211**	**-**	**-**	**-**	**5,376,483**
Total liabilities			**7,915,096**	**1,576,211**	**-**	**-**	**943,291**	**5,395,594**
		On balance Sheet interest Sensitivity Gap	**30-Jun-18**	**(727,638)**	**-**	**12,952,962**	**(580,355)**	**(4,068,217)**

Table 29: 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)
Assets	**Foreign assets**	Cash and cash equivalents	694,111	663,369	-	-	-	30,742
		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	-
	Total foreign assets		**13,779,523**	**663,369**	**-**	**12,683,531**	**234,684**	**197,939**
	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	-	-	89,128	71,394	-
		Staff loans	91,028	-	-	1,260	61,556	-
		Other assets	143	-	-	-	-	143
	Total domestic assets		**1,200,268**	**-**	**-**	**90,388**	**152,760**	**928,908**
Total assets			**14,979,791**	**663,369**	**-**	**12,773,919**	**387,444**	**1,126,847**
Liabilities	**Foreign liabilities**	IMF obligations	864,229	-	-	-	864,229	-
		Other foreign liabilities	416	-	-	-	-	416
		Derivative financial instruments	50,272	-	-	-	-	50,272
	Total foreign liabilities		**914,917**	**-**	**-**	**-**	**864,229**	**50,688**
	Domestic liabilities	Government deposits	3,208,771	-	-	-	-	3,208,771
		Commercial & Central banks' deposits	2,084,460	-	-	-	-	2,084,460
		Repos	2,025,480	2,025,480	-	-	-	-
		Other liabilities	81,907	-	-	-	-	81,907
	Total domestic liabilities		**7,400,618**	**2,025,480**	**-**	**-**	**-**	**5,375,138**
Total liabilities			**8,315,535**	**2,025,480**	**-**	**-**	**864,229**	**5,425,826**
		On balance Sheet interest Sensitivity Gap	6,664,256	(1,362,111)	-	12,773,919	(476,785)	(4,298,979)

39.4.2 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 30: Interest risk sensitivity analysis FY 2017/18

			30-Jun-2018 CARRYING AMOUNTS UGX (m)	0.5% Increase UGX (m)	0.5% decrease UGX (m)
Assets	**Foreign assets**	Cash and cash equivalents	848,573	4,243	(4,243)
		Investments held-for-trading	4,162,689	20,813	(20,813)
		Investments available-for-sale	1,179,067	5,895	(5,895)
		Held to maturity Investments	1,667,928	8,340	(8,340)
		Loans and receivables	5,865,657	29,328	(29,328)
		Assets held with IMF	251,479	1,257	(1,257)
	Total foreign assets		**13,975,393**	**69,877**	**(69,877)**
	Domestic assets	Loans and advances to commercial banks	87,780	439	(439)
		Staff loans	101,298	506	(506)
	Total domestic assets		**189,078**	**945**	**(945)**
Total assets			**14,164,471**	**70,822**	**(70,822)**
Liabilities	**Foreign liabilities**	IMF obligations	943,291	4,716	(4,716)
	Total foreign liabilities		**943,291**	**4,716**	**(4,716)**
	Domestic liabilities	Repos	1,576,211	7,881	(7,881)
	Total domestic liabilities		**1,576,211**	**7,881**	**(7,881)**
Total liabilities			**2,519,502**	**12,598**	**(12,598)**
		Net interest increase/(decrease)	**11,644,969**	**58,225**	**(58,225)**
		Impact on profits	**11,644,969**	**58,225**	**(58,225)**

Table 31: Interest risk sensitivity analysis FY 2016/17

			30-Jun-2017 CARRYING AMOUNTS UGX (m)	0.5% Increase UGX (m)	0.5% decrease UGX (m)
Assets	**Foreign assets**	Cash and cash equivalents	663,369	3,317	(3,317)
		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)
	Total foreign assets		**13,581,584**	**67,908**	**(67,908)**
	Domestic assets	Investments in government securities	19,810	99	(99)
		Loans and advances to commercial banks	160,522	803	(803)
		Staff loans	91,028	455	(455)
	Total domestic assets		**271,360**	**1,357**	**(1,357)**
Total assets			**13,852,944**	**69,265**	**(69,265)**
Liabilities	**Foreign liabilities**	IMF obligations	864,229	4,321	(4,321)
	Total foreign liabilities		**864,229**	**4,321**	**(4,321)**
	Domestic liabilities	Repos	2,025,480	10,127	(10,127)
	Total domestic liabilities		**2,025,480**	**10,127**	**(10,127)**
Total liabilities			**2,889,709**	**14,449**	**(14,449)**
		Net interest increase/(decrease)	**10,963,235**	**54,816**	**(54,816)**
		Impact on profits	**10,963,235**	**54,816**	**(54,816)**

39.5 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 32: Currency risk profile 2017/18

			TOTAL UGX (m)	USD UGX (m)	GBP UGX (m)	EURO UGX (m)	OTHER UGX (m)
Assets	**Foreign assets**	Cash and cash equivalents	932,585	806,472	7,747	32,817	85,549
		Investments held-for-trading	4,162,689	4,162,689	-	-	-
		Investments available-for-sale	1,374,329	1,372,519	-	1,810	-
		Held to maturity Investments	1,667,928	1,667,928	-	-	-
		Loans and receivables	5,865,657	1,460,250	2,385,253	740,189	1,279,965
		Derivative financial instruments	75,489	75,489	-	-	-
		Assets held with IMF	251,479	-	-	-	251,873
	Total foreign assets		**14,330,156**	**9,545,347**	**2,393,000**	**774,816**	**1,617,387**
Total assets			**14,330,156**	**9,545,347**	**2,393,000**	**774,816**	**1,617,387**
Liabilities	**Foreign liabilities**	IMF obligations	943,291	-	-	-	**943,291**
		Derivative financial instruments	18,695	18,695	-	-	-
	Total foreign liabilities		**961,986**	**18,695**	**-**	**-**	**943,291**
	Domestic liabilities	Government deposits	1,413,285	1,378,937	265	34,083	-
		Commercial & Central banks' deposits	640,530	508,918	26,304	94,550	10,758
	Total domestic liabilities		**2,053,815**	**1,887,855**	**26,569**	**128,633**	**10,758**
Total liabilities			**3,015,801**	**1,906,550**	**26,569**	**128,633**	**954,049**
	Net currency position		**11,314,355**	**7,638,797**	**2,366,431**	**646,183**	**663,338**

Table 33: Currency risk profile 2016/17

			TOTAL UGX (m)	USD UGX (m)	GBP UGX (m)	EURO UGX (m)	OTHER UGX (m)
Assets	**Foreign assets**	Cash and cash equivalents	694,111	615,323	37,311	160,280	11,248
		Investments at fair value through profit or loss	7,666,964	1,740,915	2,169,586	676,626	1,204,589
		Investments held-for-trading	3,931,248	2,237,938	2,426,169	583,545	1,069,498
		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
	Total foreign assets		**13,779,523**	**5,845,594**	**4,633,066**	**1,421,549**	**2,520,019**
Total assets			**13,779,523**	**5,845,594**	**4,633,066**	**1,421,549**	**2,520,019**
Liabilities	**Foreign liabilities**	IMF obligations	864,229	-	-	-	864,229
		Other foreign liabilities	416	-	-	-	-
		Derivative financial instruments	50,272	50,272	-	-	-
	Total foreign liabilities		**914,917**	**50,272**	**-**	**-**	**864,229**
	Domestic liabilities	Government deposits	1,494,146	1,437,318	54	55,548	1,226
		Commercial & Central banks' deposits	760,706	675,253	30,934	43,419	11,100
	Total domestic liabilities		**2,254,852**	**2,112,571**	**30,988**	**98,967**	**12,326**
Total liabilities			**3,169,769**	**2,162,843**	**30,988**	**98,967**	**876,555**
	Net currency position		**10,609,754**	**3,682,751**	**4,602,078**	**1,322,582**	**1,643,464**

39.6 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.

39.7 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 34: Currency Risk Sensitivity analysis FY 2017/18

Currency of assets/liabilities	INCREASE/ (DECREASE) IN % 2017	15% DEPRECIATION UGX (m)	15% APPRECIATION UGX (m)
USD	+15/(15)	1,145,820	(1,145,820)
GBP	+15/(15)	354,965	(354,965)
Euro	+15/(15)	96,927	(96,927)
Others	+15/(15)	99,501	(99,501)
	-	**1,697,212**	**(1,697,212)**

Table 35: Currency Risk Sensitivity analysis FY 2017/18

Currency of assets/liabilities	INCREASE/ (DECREASE) IN % 2016	15% DEPRECIATION UGX (m)	15% APPRECIATION UGX (m)
USD	+15/(15)	552,413	(552,413)
GBP	+15/(15)	690,312	(690,312)
Euro	+15/(15)	198,387	(198,387)
Others	+15/(15)	246,520	(246,520)
	-	**1,687,631**	**(1,687,631)**

40 Effective Interest Rates on Financial Assets and Liabilities

The effective interest rates of the principal financial assets and liabilities as at June 30, 2018 and June 30, 2017 were in the following ranges.

		30-Jun-2018 %	30-Jun-2017 %
Assets	Cash and cash equivalents	0.44	0.44
	Investments held-for-trading	1.71	1.45
	Investments available-for-sale	1.14	0.73
	Held to maturity Investments	1.40	0.76
	Loans and receivables	1.22	0.76
	Assets held with IMF	0.73	0.27
	Loans and advances to commercial banks	25.40	25.40
	Staff loans	5.89	5.56
Liabilities	IMF Obligations	0.05	0.05
	Repos	0.10	0.10

41 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 2017/18.

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 36 and Table 37 show an analysis of assets and liabilities recorded at fair value by level of their fair value hierarchy:

Table 36: Fair value hierarchy as at June 30, 2018

Assets measured at fair value	Level 1 UGX (m)	Level 2 UGX (m)	Level 3 UGX (m)
Investments held-for-trading	-	4,162,689	-
Investments available-for-sale	-	1,374,329	-
Derivative financial instruments	-	75,489	-
Furniture	-	-	2,889
Equipment	-	-	8,948
Vehicles	-	-	17,329
Computers	-	-	6,453
Plant and Machinery	-	-	60,088
Freehold land	-	-	37,986
Buildings	-	-	142,043
Leasehold land	-	-	56,454
Liabilities measured at fair value value			
Derivative financial instruments	-	18,695	-

Table 37: 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	-	-	14,269
Computers	-	-	7,125
Plant and Machinery	-	-	63,021
Freehold land	-	-	27,362
Buildings	-	-	124,135
Leasehold land	-	-	46,725
Liabilities measured at fair value value			
Derivative financial instruments	-	50,272	-

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)	78,950 - 6,580,000
Price per square metre (buildings)	175 - 485

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 2017/18.

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.

42 Current and Non-Current Assets and Liabilities

Table 38 and Table 39 below show the current and non-current assets and liabilities as at June 30, 2018 and 2017 respectively.

Table 38: Current and non-current assets and liabilities as at June 30, 2018

			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)
Assets	**Foreign assets**	Cash and cash equivalents	932,585	16	932,585	-
		Investments held-for-trading	4,162,689	17 (b)	4,162,689	-
		Investments available-for-sale	1,374,329	17 (c)	1,179,066	195,263
		Held to maturity Investments	1,667,928	17 (d)	1,667,928	-
		Loans and receivables	5,865,657	17 (e)	5,865,657	-
		Derivative financial instruments	75,489	18	75,489	
		Assets held with IMF	251,479	19	-	251,479
	Total foreign assets		**14,330,156**		**13,883,414**	**446,742**
	Domestic assets	Loans, advances and drawdowns to government	972,500	21	972,500	-
		Loans and advances to commercial banks	87,780	22	74,829	12,951
		Staff loans	101,298	23	3,158	98,140
		Retirement benefits plan	39,293	24	-	39,293
		Property, plant and equipment	295,693	25	-	295,693
		Finance lease on leasehold land	56,454	26	-	56,454
		Intangible assets	13,907	27	-	13,907
		Other assets	300,473	28	300,473	-
	Total domestic assets		**1,867,398**		**1,350,960**	**516,438**
Total assets			**16,197,554**		**15,234,374**	**963,180**
Liabilities	**Foreign liabilities**	IMF obligations	943,291	19	79,062	864,229
		Other foreign liabilities	416	29	416	-
		Derivative financial instruments	18,695	17 (d)	18,695	-
	Total foreign liabilities		**962,402**		**98,173**	**864,229**
	Domestic liabilities	Currency in circulation	4,314,740	30	-	4,314,740
		Government deposits	3,333,340	31	3,333,340	-
		Commercial banks' deposits	1,938,902	32	1,938,902	-
		Repos	1,576,211	33	1,576,211	-
		Other liabilities	104,241	34	104,241	-
	Total domestic liabilities		**11,267,434**		**6,952,694**	**4,314,740**
Total Liabilities			**12,229,836**		**7,050,867**	**5,178,969**

Table 39: Current and non-current assets and liabilities as at June 30, 2017

			Statement of financial position amount	Note	No more than 12 months after the reporting period	More than 12 months after the reporting period
			UGX (m)		UGX (m)	UGX (m)
Assets	**Foreign assets**	Cash and cash equivalents	694,111	16	694,111	-
		Investments at fair value through profit or loss	7,666,964	17 (e)	7,666,964	-
		Investments held-for-trading	3,931,248	17 (b)	3,931,248	-
		Investments available-for-sale	1,229,444	17 (c)	1,085,319	144,125
		Derivative financial instruments	23,072	18	23,072	-
		Assets held with IMF	234,684	19	-	234,684
	Total foreign assets		**13,779,523**		**13,400,714**	**378,809**
	Domestic assets	Investments in government securities	19,810	20	-	19,810
		Loans, advances and drawdowns to government	928,765	21	928,765	-
		Loans and advances to commercial banks	160,522	22	89,128	71,394
		Staff loans	91,028	23	1,805	89,223
		Retirement benefits plan	11,616	24	-	11,616
		Property, plant and equipment	263,409	25	-	263,409
		Finance lease on leasehold land	46,725	26	-	46,725
		Intangible assets	13,201	27	-	13,201
		Other assets	362,550	28	362,550	-
	Total domestic assets		**1,897,626**		**1,382,248**	**515,378**
Total assets			**15,677,149**		**14,782,962**	**894,187**
Liabilities	**Foreign liabilities**	IMF obligations	864,229	19	41,688	822,541
		Other foreign liabilities	416	29	416	-
		Derivative financial instruments	50,272	18	50,272	-
	Total foreign liabilities		**914,917**		**92,376**	**822,541**
	Domestic liabilities	Currency in circulation	3,865,778	30	-	3,865,778
		Government deposits	3,208,771	31	3,208,771	-
		Commercial banks' deposits	2,084,460	32	2,084,460	-
		Repos	2,025,480	33	2,025,480	-
		Other liabilities	81,907	34	81,907	-
	Total domestic liabilities		**11,266,396**		**7,400,618**	**3,865,778**
Total Liabilities			**12,181,313**		**7,492,994**	**4,688,319**

43 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-2018 UGX (m)	30-Jun-2017 UGX (m)
Revenue Reserves	(1,828,158)	(1,396,607)
General Reserves	399,277	399,277
Share Capital	20,000	20,000
BoU recapitalization	960,017	960,017
Core Capital	**(448,864)**	**(17,313)**
Revaluation Reserve	172,849	182,815
Fair value- available for sale	83,431	56,111
Actuarial Gains	24,656	3,052
Translation Reserve	4,135,646	3,271,171
Cumulative Shareholder's Funds	**3,967,718**	**3,495,836**

The Bank was re-capitalized by Government of Uganda through issuance of treasury securities worth UGX 960,017 million as at June 30, 2018 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 448,864 million. As a result, the Bank's minimum required capital of UGX 20,000 million was short by UGX 468,864 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.

44 Related Party Transactions

In the course of its operations, the Bank enters into transactions with related parties which include;

- Government of Uganda as the ultimate shareholder of the Bank, and
- Deposit Protection Fund of Uganda as the Custodian.

44.1 Loans to Executive Directors

The Bank extended loans to the Executive Directors on the Board. The outstanding amounts of the loans were UGX 140 million as at June 30, 2018 (June 30, 2017: UGX 230 million). The interest on the loan is at 3 percent and is fully collateralised. The interest recognised during the year is UGX 4.4 million and the total repayments during the year were UGX 96 million.

44.2 Loans to Executive Management

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
At 1 July	2,663	2,564
Advanced during the year	1,929	856
Repayments	(777)	(757)
At 30 June	**3,815**	**2,663**

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 5,375 million (2017: UGX 4,385 million). The Bank earned interest of

UGX 6 million (2017: UGX 10 million) on loans advanced to Executive Management. The loans and advances to Executive Management were not impaired as at June 30, 2018.

44.3 Directors' Emoluments

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Directors' fees and emoluments	1,699	1,983
Remuneration:		
Governor and Deputy Governor (short term employee benefits)	1,989	1,797
Governor and Deputy Governor (post employment pension benefits)	579	579
	4,267	**4,359**

44.4 Compensation of Executive Management

	30-Jun-2018 UGX (m)	30-Jun-2017 UGX (m)
Short-term employee benefits	4,299	4,377
Post-employment benefits	858	749
	5,157	**5,126**

44.5 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 provides banking services to the Deposit Protection Fund (DPF) which is an independent fund. Cash at hand as at June 30, 2018 amounted to UGX 21,477 million (2017: UGX 20,438 million). The Bank also manages an in-house Retirement Benefits Scheme of which cash at hand was UGX 1,573 million (2017: UGX 148 million).

45 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.

45.1 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.

45.2 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.

45.3 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.

45.4 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.

45.5 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 17 of the financial statements.

45.6 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).

46 Events after the Reporting Period

There are no reportable events after the reporting period.

18 Appendices

Appendix 1: Macroeconomic Indicators

	2013/14	2014/15	2015/16	2016/17	2017/18
Real Sector					
GDP at Market Prices (current prices), UGX billion	69,276	76,517	83,091	91,718	101,829
GDP at Market Prices (constant 2009/10 prices), UGX billion	50,651	53,279	55,826	57,983	61,361
Real GDP growth (Annual Change %)	5.1%	5.2%	4.8%	3.9%	5.8%
GDP per capita (current prices), UGX	2,038,118	2,188,434	2,315,504	2,485,354	2,683,850
GDP per capita (constant 2009/10 prices), UGX	1,490,170	1,523,814	1,555,709	1,571,199	1,617,251
GDP per capita growth rate (%)	2.1	2.3	2.1	1.0	2.9
Prices					
Annual Headline Inflation, (%)					
End of Period (Base 2009/10)	2.6	4.9	5.9	6.3	2.2
Period Average (Base 2009/10)	5.3	2.9	6.5	5.7	3.4
Exchange Rate (UGX/USD)					
End of Period (eop)	2,599.7	3,301.8	3,404.9	3,590.9	3,879.5
Period Average (p.a.)	2,538.3	2,823.2	3,443.0	3,528.3	3,658.7
Interest Rates(% p.a., eop)					
Central Bank Rate	11.5	11.3	16.3	12.3	9.4
Rediscount Rate	14.5	14.3	20.2	16.3	13.4
Lending Rate	22.1	21.6	24.0	22.6	20.6
91 - day Treasury Bill Discount Rate	9.3	11.1	16.0	12.2	8.6
Financial Sector					
Money Supply, M3 (UGX billion)	14,142.2	16,376.7	17,556.8	19,936.0	22,475.1
Money Supply, M2 (UGX billion)	10,195.2	11,095.3	12,085.1	14,015.5	15,694.8
Currency in Circulation (UGX billion)	2,746.1	3,231.6	3,391.6	3,865.8	4,314.7
Base Money (UGX billion)	3,769.0	4,295.0	4,929.4	5,265.4	5,544.8
M2 growth (% p.a.)	14.1	8.8	8.9	16.0	12.0
M3 growth (% p.a.)	17.4	15.8	7.2	13.6	12.7
CIC/M2A (%)	26.9	29.1	28.1	27.6	27.5
M2A Velocity[a]	6.8	6.9	6.9	6.5	6.5
M3 Velocity[a]	4.9	4.7	4.7	4.6	4.5
Private Sector Credit (UGX billion)	9,097.0	10,948.2	11,421.4	12,071.5	13,336.9
Lending ratio (Loans/Deposits)	72.6	75.5	73.1	69.4	67.6
External Sector					
Exports, USD millions	2,706.3	2,738.4	2,687.8	3,179.6	3,486.4
o/w Coffee	404.0	400.5	352.0	490.5	492.5
Imports (goods), USD millions	5,073.5	4,988.0	4,574.5	4,715.5	5,490.0
Current account balance (USD million)	-2,039.0	-1,862.9	-1,163.3	-861.0	-1,607.5
Current account balance (excluding grants, USD million)	-2,237.4	-2,052.5	-1,359.2	-999.3	-1,715.4
Overall Balance, USD million	-378.5	345.7	-101.5	-438.6	209.8
Debt Service ratio, incl IMF as a percentage of					
exports of goods & services	2.9	3.2	3.1	3.7	6.1
Total External Reserves (USD million)	3,390.2	2,895.3	2,962.1	3,385.6	3,220.7
Reserve cover (months of future imports of goods & services)	5.3	5.0	5.5	5.7	4.6
Macro-economic Linkages					
M1/GDP (%)	8.7	8.7	8.6	9.0	9.3
M2A/GDP (%)	14.7	14.4	14.5	15.5	15.4
Private sector credit/GDP (%)	13.1	14.2	13.7	13.3	13.1
Exports to GDP (%)	9.7	9.9	10.9	12.2	12.5
Imports to GDP (%)	18.3	18.1	18.5	18.1	19.7
Current A/C balance as a percentage of GDP	-7.3	-6.8	-4.7	-3.3	-5.9
Current A/C balance (excluding grants) as a percentage of GDP	-8.1	-7.4	-5.5	-3.9	-6.3
Fiscal Deficit (Excluding Grants) to GDP (%)	-5.1%	-6.2%	6.3%	4.9%	5.6%

Notes:

[a]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	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Agriculture, Forestry and fishing	**16,240**	**17,372**	**18,350**	**19,655**	**22,545**	**24,616**
Cash crops	1,147	1,073	1,305	1,424	1,862	2,107
Food crops	8,323	9,225	9,532	10,060	12,148	13,218
Livestock	2,911	3,026	3,184	3,561	3,847	4,303
Agriculture Support Services	23	25	30	32	33	35
Forestry	2,897	2,975	3,078	3,263	3,192	3,453
Fishing	939	1,047	1,221	1,315	1,462	1,501
Industry	**13,171**	**14,173**	**15,311**	**17,142**	**18,652**	**20,146**
Mining & quarrying	536	525	528	562	603	520
Manufacturing	6,050	5,854	6,660	7,239	7,881	8,535
Electricity	585	633	637	796	899	1,030
Water	1,426	1,808	1,898	2,270	2,557	2,932
Construction	4,574	5,353	5,588	6,274	6,713	7,128
Services	**29,967**	**32,883**	**36,675**	**39,627**	**43,211**	**48,687**
Trade and Repairs	8,869	8,872	9,707	10,616	11,043	12,846
Transport and Storage	1,985	2,321	2,338	2,591	2,733	2,814
Accommodation and Food Service Activities	1,744	1,984	1,953	2,150	2,521	2,995
Information and Communication	1,815	2,176	2,805	2,122	2,039	2,623
Financial and Insurance Activities	1,609	1,918	2,188	2,771	3,029	3,438
Real Estate Activities	2,753	3,126	3,367	3,824	4,154	4,444
Professional, Scientific and Technical Activities	1,860	1,802	2,007	2,133	2,303	2,469
Administrative and Support Service Activities	979	1,099	1,410	1,294	1,296	1,384
Public Administration	1,864	1,949	2,385	2,610	2,819	2,983
Education	3,262	3,970	4,635	5,297	6,673	7,452
Human Health and Social Work Activities	2,058	2,361	2,454	2,674	2,854	3,135
Arts, Entertainment and Recreation	189	209	226	228	235	282
Other Service Activities	714	812	899	1,032	1,211	1,486
Activities of Households as Employers	265	284	302	284	302	337
Adjustments	**4,569**	**5,116**	**6,181**	**6,668**	**7,310**	**8,380**
Taxes on products	4,569	5,116	6,181	6,668	7,310	8,380
Total GDP at market Prices	**63,946**	**69,544**	**76,517**	**83,091**	**91,718**	**101,829**
Percapita GDP (UGX)	**1,936,069**	**2,046,005**	**2,188,434**	**2,315,504**	**2,485,354**	**2,683,850**

Source: Uganda Bureau of Statistics, UBOS

Appendix 3: Balance of Payments (million USD)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
A: Current Account Balance (A1+A2+A3)	**-1,510.48**	**-2,038.99**	**-1,862.88**	**-1,163.28**	**-861.00**	**-1,607.48**
A1. Goods Account (Trade Balance)	-2,465.58	-2,636.62	-2,718.05	-2,102.62	-1,809.66	-2,428.00
a) Total Exports (fob)	4,950.44	4,908.60	4,910.98	4,666.39	4,835.08	5,347.59
Coffee	422.69	404.00	400.49	352.03	490.51	492.47
b) Total Imports (fob)	5,035.07	5,073.51	4,988.01	4,417.18	4,454.36	5,230.26
Government Imports	438.11	360.98	223.83	494.18	438.18	455.01
Project imports	358.62	300.55	194.12	449.09	411.96	448.07
Non-Project imports	79.50	60.43	29.70	45.09	26.22	6.94
Private Sector Imports	4,545.69	4,656.00	4,692.67	3,862.65	3,944.73	4,697.63
Oil imports	1,028.07	1,089.84	933.03	645.92	693.80	911.04
Non-Oil Imports	3,517.62	3,566.16	3,759.64	3,216.73	3,250.93	3,786.59
A2. Services and Primary Income	**-860.46**	**-876.17**	**-958.09**	**-691.08**	**-889.22**	**-1,035.21**
Services Account (net)	-342.62	-269.44	-468.40	-215.98	-273.73	-424.40
Inflows	2,038.34	2,202.27	2,172.61	1,978.56	1,655.50	1,861.22
Outflows	2,380.96	2,471.71	2,641.02	2,194.54	1,929.23	2,285.63
Primary Income Account (net)	-517.84	-606.73	-489.69	-475.11	-615.49	-610.81
Inflows	33.28	6.48	24.65	41.45	22.47	45.43
Outflows	551.12	613.21	514.33	516.56	637.96	656.24
A3. Secondary Income (Net Current transfers)	**1,472.94**	**1,204.36**	**1,344.85**	**1,414.45**	**1,564.15**	**1,431.33**
Inflows	1,632.22	1,398.50	1,531.11	1,561.97	1,774.81	1,601.81
Government Inflows	343.04	205.43	234.09	238.32	183.76	131.46
Grant Disbursements	343.04	205.43	234.09	238.32	183.76	131.46
Budget Support	25.74	30.27	39.42	43.11	6.65	0.00
Project Aid	264.49	115.31	90.73	100.82	82.75	54.54
HIPC Assistance	45.53	52.86	59.48	52.03	48.87	53.41
Other transfers	7.28	6.99	44.46	42.37	45.50	23.52
Private Transfers	1,289.17	1,193.07	1,297.02	1,323.65	1,591.04	1,470.35
Remittances	975.99	889.68	916.48	953.58	1,286.95	1,083.77
Other (NGOs, IAAs, Insurance, etc.)	313.19	303.39	380.54	370.07	304.10	386.58
Outflows	159.28	194.14	186.25	147.52	210.66	170.48
B. Capital Account	**32.74**	**91.05**	**99.08**	**119.81**	**150.53**	**105.38**
C. Financial Account: excluding financing items	**-1,485.90**	**-1,722.25**	**-945.54**	**-1,060.60**	**-1,153.41**	**-974.87**
Direct Investment	-939.86	-1,087.38	-884.60	-681.39	-648.91	-788.28
Portfolio Investment	46.52	-25.08	195.93	146.17	184.99	347.23
Financial Derivatives	-0.76	-1.24	-5.24	-2.71	-0.94	0.24
Other Investments	-591.79	-608.55	-251.64	-522.67	-688.55	-534.06
Assets	129.19	-145.43	277.05	96.31	227.53	211.97
Liabilities	720.98	463.12	528.69	618.99	916.08	746.03
D. Errors and Omissions	**329.89**	**604.19**	**468.64**	**84.31**	**-4.38**	**317.47**
E. Overall Balance (A+B+C+D)	**-338.05**	**-378.49**	**349.63**	**-101.45**	**-438.56**	**209.76**
F. Reserves and related Items	**338.05**	**378.49**	**-349.63**	**101.45**	**438.56**	**-209.76**
Reserve Assets	332.29	372.04	-354.64	98.76	436.34	-212.95
Use of IMF Credit (Net)	-1.84	-1.83	-1.76	-0.83	0.00	0.00
Purchases	0.00	0.00	0.00	0.00	0.00	0.00
Repurchases	-1.84	-1.83	-1.76	-0.83	0.00	0.00
Exceptional Financing	-3.91	-4.61	-3.25	-1.86	-2.22	-3.19
Memorandum items:						
Exchange Rate (UGX per USD, end of period)	2,593.3	2,599.7	3,301.8	3,404.9	3,590.9	3,744.1
Average exchange rate (UGX per 1 USD)	2,591.1	2,538.3	2,823.2	3,443.0	3,528.3	3,649.3
Total Goods and Non-Factor Service exports	4,950.4	4,908.6	4,911.0	4,666.4	4,835.1	5,347.6
Nominal GDP at Market prices (UGX billion))	63,905.0	70,457.8	77,845.2	84,907.0	91,351.4	100,091.9
GDP at Market prices (USD million)	24,663.1	27,757.4	27,573.2	24,661.1	25,891.1	27,427.6
Exports as a % of GDP	11.8	9.7	9.9	10.9	12.3	12.7
Imports as a % of GDP	20.4	18.3	18.1	18.5	18.2	20.0
Current Account Balance (excluding Grants)	-1,846.2	-2,237.4	-2,052.5	-1,359.2	-999.3	-1,715.4
Current Account Balance as a percentage of GDP	-6.1	-7.3	-6.8	-4.7	-3.3	-5.9
Current Account Balance (excluding Grants) as a %age of	-7.5	-8.1	-7.4	-5.5	-3.9	-6.3
BOP overall balance as a percentage of GDP	-1.4	-1.4	1.3	-0.4	-1.7	0.8
Total external Debt Stock (end of period)	3,825.2	4,300.7	4,380.1	5,309.2	6,213.8	7,261.9
o/w External arrears	81.6	76.0	75.7	69.8	76.5	77.5
Total Debt Stock (end of period) as a %age of GDP	15.5	15.7	16.1	22.0	24.0	26.5
Debt Service (maturities excl. IMF) as a %age of exports	3.9	4.9	5.8	5.3	5.6	9.4
Debt Service (maturities excl. IMF) as a %age of export of	2.3	2.8	3.2	3.1	3.7	6.1
Debt Service (maturities excl. IMF) as a percentage of	0.5	0.5	0.6	0.6	0.7	1.2
Debt Service (maturities incl. IMF) as a %age of exports	4.0	4.9	5.8	5.3	5.6	9.4
Debt Service (maturities incl. IMF) as a %age of export of	2.3	2.9	3.2	3.1	3.7	6.1
Debt Service (maturities incl. IMF) as a percentage of	0.6	0.6	0.6	0.6	0.7	1.2
Total external reserves (end of period) in months of	4.5	5.2	5.0	5.5	5.7	4.6
Debt Stock to Exports ratio (%)	131.4	158.5	160.0	197.5	195.4	208.3
Total Aid to GDP (%)	2.3	2.0	2.0	2.3	2.8	2.2

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

	2014	2015	2015	2016	2016	2017	2017
End of period (million USD)	Dec	June	Dec	June	Dec	June	Dec
	4,848.00	**4,931.29**	**5,085.21**	**5,197.51**	**5,527.25**	**5,926.48**	**6,226.39**
Assets	80.37	80.37	80.65	80.66	80.80	80.95	81.10
Direct investment abroad	53.78	53.78	54.06	54.07	54.22	54.36	54.52
Equity and investment fund	26.59	26.59	26.59	26.59	26.59	26.59	26.59
Debt instruments	360.63	500.10	525.48	626.47	647.88	746.83	867.75
Portfolio investment	59.74	175.47	170.92	219.98	208.15	236.15	266.46
Equity and investment fund	300.90	324.63	354.56	406.50	439.73	510.69	601.29
Debt securities	300.90	324.63	354.56	406.50	439.73	510.69	601.29
Bonds and notes	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Money-market instruments	0.61	3.48	0.15	0.62	0.62	0.00	0.00
Financial derivatives	1,187.78	1,470.12	1,589.06	1,541.58	1,781.61	1,713.97	1,713.65
Trade credits	40.02	36.89	40.43	14.80	12.39	36.37	63.10
Loans	1,147.76	1,433.23	1,548.63	1,526.78	1,769.22	1,677.59	1,650.55
Currency and deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other assets	3,218.62	2,877.23	2,889.87	2,948.18	3,016.34	3,384.73	3,563.89
Reserve assets							
	17,010.55	**17,620.77**	**18,470.34**	**19,390.07**	**19,689.25**	**20,773.73**	**21,787.53**
Liabilities	9,829.49	10,198.31	10,567.14	10,879.99	11,192.84	11,529.20	11,892.57
Direct investment in reporting	7,745.63	8,021.59	8,297.54	8,495.41	8,693.27	8,922.71	9,178.58
Equity and investment fund shares	2,083.86	2,176.72	2,269.59	2,384.58	2,499.57	2,606.49	2,713.99
Financial derivatives	679.95	705.76	745.39	988.45	1,001.16	891.38	795.51
Portfolio investment	334.05	346.37	413.03	624.84	583.84	556.16	543.06
Equity and investment fund shares	345.90	359.40	332.36	363.61	417.31	335.22	252.45
Debt instruments	241.67	237.81	234.07	322.85	350.56	296.90	226.08
Bonds and notes	104.23	121.59	98.30	40.76	66.75	38.32	26.36
Money-market instruments	1.00	0.17	1.92	1.99	1.96	0.31	0.22
Financial derivatives	6,500.12	6,716.52	7,155.89	7,519.64	7,493.29	8,352.83	9,099.24
Other investment	62.76	68.02	71.00	76.86	80.17	92.78	112.19
Trade credits	5,873.85	6,053.67	6,465.62	6,843.65	6,837.93	7,723.20	8,415.49
Loans	138.52	179.22	208.05	185.20	170.07	122.04	149.08
Currency and deposits	424.99	415.62	411.23	413.93	405.12	414.81	422.48
Other liabilities							
	- 12,162.54	**- 12,689.47**	**- 13,385.13**	**- 14,192.56**	**- 14,161.99**	**- 14,847.25**	**- 15,561.14**

Source: Bank of Uganda

Appendix 5: Composition of Exports (Value in million USD)

		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
1. Coffee	Value	444.21	422.69	404.00	400.49	352.03	490.51	492.47
	Volume, 60-Kg bags	3.04	3.37	3.65	3.24	3.56	4.19	4.46
	Unit Value	2.45	2.11	1.84	2.07	1.65	1.93	1.84
2. Non-Coffee	**Value**	**1,839.89**	**2,020.87**	**1,906.65**	**1,899.29**	**1,946.10**	**2,205.38**	**2,398.39**
Electricity	Value	17.28	15.57	27.19	24.43	17.10	45.14	42.18
Gold	Value	11.47	4.94	0.25	0.23	204.26	339.15	337.29
Cotton	Value	77.59	36.46	21.75	18.18	24.29	48.31	41.12
Tea	Value	71.59	86.20	83.22	73.37	74.50	67.86	91.71
Tobacco	Value	57.23	72.72	94.04	63.22	73.23	46.95	54.14
Fish & its Products	Value	137.81	108.61	110.18	136.82	115.15	131.60	145.53
Hides & Skins	Value	39.01	47.08	74.82	67.57	56.01	50.94	54.66
Simsim	Value	13.15	23.54	45.56	50.75	29.59	16.16	22.45
Maize	Value	47.03	54.43	35.74	74.19	81.97	78.49	101.97
Beans	Value	15.22	16.12	20.32	37.62	49.05	55.45	105.27
Flowers	Value	55.55	52.99	59.05	55.28	49.10	53.58	61.88
Oil re-exports	Value	117.59	137.34	142.04	143.33	123.08	124.12	129.46
Cobalt	Value	13.70	15.82	3.78	0.00	0.00	0.00	0.00
Others Exports	Value	1,165.67	1,349.05	1,188.72	1,154.31	1,048.77	1,147.63	1,210.73
3. ICBT Exports	**Value**	**383.33**	**468.55**	**395.68**	**438.58**	**389.70**	**483.68**	**595.51**
Total Value Exports		**2,667.43**	**2,912.11**	**2,706.33**	**2,738.37**	**2,687.83**	**3,179.57**	**3,486.37**

Source: Bank of Uganda

Appendix 6: Coffee Exports (quantity in 60 kg. bags; value in USD).

	2014/15		2015/16		2016/17		2017/18	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
First Quarter	**674,189**	**87,272,834**	**815,208**	**81,520,312**	**1,041,956**	**126,055,100**	**1,210,953**	**135,846,540**
Oct	229,438	28,000,828	223,858	22,933,326	209,478	24,232,079	381,636	43,740,000
Nov	219,948	29,493,823	248,921	25,002,230	408,027	50,406,739	443,100	49,387,020
Dec	224,803	29,778,184	342,429	33,584,756	424,451	51,416,282	386,217	42,719,520
Second Quarter	**913,051**	**117,539,321**	**851,670**	**80,127,274**	**1,212,472**	**147,926,727**	**1,125,654**	**121,025,865**
Jan	310,829	39,699,660	334,393	32,101,652	404,673	48,981,950	401,930	43,661,837
Feb	290,475	36,903,356	269,439	24,907,463	397,883	48,501,363	390,378	41,626,874
Mar	311,747	40,936,305	247,838	23,118,159	409,916	50,443,414	333,346	35,737,154
Third Quarter	**862,800**	**98,648,497**	**879,888**	**85,326,834**	**1,165,251**	**136,425,400**	**934,568**	**100,460,753**
Apr	264,065	32,805,613	326,793	31,200,627	326,232	39,262,589	295,194	32,734,228
May	263,330	30,580,317	286,758	27,594,778	408,454	47,571,639	319,035	34,130,321
Jun	335,405	35,262,567	266,337	26,531,429	430,565	49,591,172	320,339	33,596,204
Fourth Quarter	**1,010,000**	**104,925,558**	**768,491**	**80,006,177**	**1,187,383**	**135,139,390**	**0**	**0**
Jul	403,381	43,068,138	268,490	27,057,082	427,204	49,495,984		
Aug	320,297	32,536,657	291,045	30,084,415	418,340	47,059,240		
Sep	286,322	29,320,763	208,956	22,864,680	341,839	38,584,166		
Total for Crop year	**3,460,040**	**408,386,210**	**3,315,257**	**326,980,597**	**4,607,062**	**545,546,617**	**3,271,175**	**357,333,158**

Source: Uganda Coffee Development Authority

Appendices

Appendix 7: Composition of Imports (million USD)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Animal & Animal Products	18.41	24.10	24.39	21.27	24.92	32.28
Vegetable Products, Animal, Beverages, Fats & Oil	447.09	413.08	441.54	352.68	452.19	461.00
Prepared Foodstuff, Beverages & Tobacco	222.42	246.83	203.79	187.76	181.09	200.56
Mineral Products (excluding Petroleum products)	136.12	147.86	153.94	133.38	129.53	133.29
Petroleum Products	1028.07	1089.84	933.03	645.92	693.80	911.04
Chemical & Related Products	447.77	476.02	530.80	438.46	435.95	549.42
Plastics, Rubber & Related Products	245.88	252.15	302.06	261.07	278.91	327.83
Wood & Wood Products	116.73	115.41	114.01	113.27	112.19	142.93
Textile & Textile Products	132.97	162.43	165.93	148.82	164.60	187.70
Miscellaneous Manufactured Articles	230.33	226.19	238.63	212.58	232.93	267.01
Base Metals and their Products	283.97	319.31	345.28	286.68	335.15	399.57
Machinery Equipments, Vehicles & Accessories	1229.09	1174.89	1232.03	1054.66	900.61	1081.48
Arms, Ammunitions & Accessories	0.11	0.04	0.10	0.08	0.10	0.06
Electricity	6.72	7.86	7.15	6.00	2.77	3.45
Total	**4,545.69**	**4,656.00**	**4,692.67**	**3,862.65**	**3,944.73**	**4,697.63**

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)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
European Union	561.33	508.69	502.99	414.29	506.83	568.96
Austria	0.70	0.81	0.09	0.15	0.06	0.17
Belgium	36.66	38.67	25.57	13.73	27.52	34.80
Denmark	1.49	0.57	0.39	0.46	4.93	0.39
France	12.60	8.86	7.74	2.77	2.40	2.56
Germany	23.96	34.83	22.07	22.58	10.12	12.78
Italy	17.50	23.42	25.37	23.95	30.37	41.75
Netherlands	104.06	85.39	82.95	69.40	82.37	116.14
Poland	7.23	1.27	1.27	0.19	0.36	0.39
Portugal	2.51	3.51	4.51	4.57	7.93	10.07
Spain	8.28	11.44	11.82	12.39	10.14	10.60
Sweden	0.81	0.19	0.37	0.61	0.10	0.09
United Kingdom	33.52	25.18	37.00	14.55	16.10	11.71
Others	314.41	274.55	283.85	248.95	314.42	327.49
Rest of Europe	57.95	54.15	43.28	51.85	41.10	35.21
Bulgaria	0.01	0.13	0.27	0.00	0.09	0.20
Norway	0.56	1.00	2.09	0.64	0.46	1.07
Switzerland	44.45	43.71	36.59	35.03	33.65	15.47
Turkey	4.93	5.56	2.21	12.13	5.43	14.88
Other	5.59	3.75	2.11	4.05	1.46	3.59
The Americas	39.63	49.77	42.06	48.04	53.25	67.20
USA	30.40	36.42	32.85	34.31	45.22	58.89
Canada	2.97	8.65	8.18	8.45	6.26	5.60
Mexico	0.16	0.09	0.65	3.89	1.33	1.59
Brazil	0.17	0.04	0.00	0.02	0.01	0.02
Argentina	0.00	0.06	0.00	0.00	0.00	0.01
Other	5.92	4.51	0.38	1.38	0.42	1.08
Middle East	180.42	136.39	213.76	356.61	504.71	414.06
Bahrain	1.25	1.12	0.75	1.81	1.61	0.99
Israel	7.16	7.65	10.38	7.99	10.41	12.51
Saudi Arabia	1.65	0.93	1.80	1.74	1.78	3.63
United Arab Emirates	163.15	115.38	187.07	339.54	482.55	382.46
Jordan	1.35	2.04	1.66	2.22	2.62	2.21
Other	5.86	9.27	12.10	3.31	5.73	12.26
Asia	130.25	167.48	178.05	196.23	194.56	224.92
India	16.06	18.74	19.58	36.26	42.13	43.21
Japan	4.33	6.56	8.17	14.04	11.61	14.92
Malaysia	9.57	9.76	17.65	21.35	19.73	16.55
China	32.23	58.01	59.80	38.62	27.91	33.63
Thailand	2.18	0.32	0.22	0.68	1.85	1.23
Singapore	24.59	19.58	16.27	13.77	20.88	14.27
Pakistan	0.64	2.09	1.93	3.00	2.67	8.43
Korea (Rep)	0.66	5.45	0.78	0.14	0.20	0.54
Indonesia	0.23	1.40	0.84	9.07	14.28	15.97
Vietnam	4.65	2.82	1.08	2.02	2.17	14.10
Taiwan	0.27	0.46	0.62	0.50	0.36	0.76
Hong Kong	21.00	29.04	39.75	37.20	37.47	44.50
Other	13.85	13.25	11.37	19.58	13.30	16.81
COMESA	1,282.74	1,224.75	1,235.31	1,129.95	1,262.94	1,483.72
Ethiopia	7.92	1.12	1.10	1.57	0.81	10.87
Kenya	268.86	348.41	374.75	414.73	475.06	628.47
Malawi	0.57	0.42	0.13	0.36	0.27	2.84
Namibia	0.12	0.33	0.02	3.91	0.02	0.01
Mauritius	0.60	1.14	0.08	0.70	1.46	1.06
Zambia	2.46	1.44	0.91	2.57	7.09	15.06
Swaziland	1.23	0.30	0.05	0.34	0.25	0.18
Burundi	50.29	47.88	39.96	50.41	48.11	36.66
Rwanda	217.43	224.92	253.54	206.90	188.37	197.44
Madagascar	0.01	0.05	0.43	0.08	0.09	4.80
Sudan	346.54	128.06	92.25	58.46	68.38	69.70
Egypt	0.57	0.90	2.11	4.60	0.44	5.11
Congo (D.R.)	255.07	231.75	160.16	159.74	190.29	196.87
South Sudan	80.83	236.28	309.66	225.28	281.38	311.34
Other	18.56	1.76	0.18	0.29	0.92	3.32
Rest of Africa	68.23	99.05	82.71	98.70	130.42	95.08
Tanzania	54.02	50.08	56.47	61.97	71.14	46.72
South Africa	8.03	9.11	8.08	17.37	5.62	8.93
Nigeria	2.55	1.86	0.44	2.76	1.62	1.76
Other	35.30	38.00	17.72	16.59	52.04	37.68
Unclassified	123.00	70.38	1.62	2.46	2.20	1.72
Australia	1.57	1.81	1.45	2.10	1.30	1.45
Iceland	0.00	0.00	0.13	0.00	0.00	0.00
Other	121.43	68.57	0.04	0.37	0.90	0.27
Total	2,443.6	2,310.7	2,299.8	2,298.1	2,696.0	2,890.9
Informal trade						
BURUNDI	14.28	15.92	9.17	0.06	0.00	0.00
DR CONGO	151.45	131.41	163.76	192.32	241.86	291.48
KENYA	80.49	76.69	106.41	79.99	118.68	149.94
RWANDA	31.49	23.25	25.73	24.66	35.06	54.41
SUDAN	127.60	125.30	113.67	59.17	34.45	54.17
TANZANIA	63.23	23.10	19.84	33.50	53.62	45.52
Total	468.5	395.7	438.6	389.7	483.7	595.5
Grand Total	2,912.1	2,706.3	2,738.4	2,687.8	3,179.7	3,486.4

Source: Bank of Uganda

Appendix 9: Direction of Formal Trade (Imports, Million USD)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Asia	2,240.18	2,612.65	2,703.52	2,541.27	2,336.97	2,122.48	2,319.33
India	840.33	1,230.00	1,281.43	1,091.83	869.06	607.87	640.18
China	501.11	531.22	551.10	625.90	748.15	751.53	888.44
Japan	257.69	254.38	277.16	288.85	251.79	262.65	262.75
Malaysia	51.54	40.94	44.55	28.36	30.20	38.48	56.34
Korea (Rep)	95.80	36.94	47.86	33.95	31.38	28.85	40.56
Singapore	49.13	81.07	62.80	54.17	37.51	23.96	13.40
Indonesia	187.99	163.65	186.35	186.09	148.31	210.38	175.15
Thailand	64.66	60.43	57.74	43.62	33.64	42.09	46.90
Hong Kong	39.15	32.74	33.91	34.62	35.22	14.14	14.93
Russia	61.76	56.49	56.97	58.53	69.47	46.33	78.31
Pakistan	53.61	50.36	64.46	54.45	44.28	43.10	70.23
Taiwan	20.61	27.45	18.88	12.64	12.23	8.35	10.63
Vietnam	12.23	38.54	8.65	20.43	10.29	36.18	12.40
Bangladesh	1.62	1.93	1.80	1.74	12.37	3.24	4.09
Sri Lanka	1.77	1.18	1.22	1.09	1.29	2.60	2.58
Georgia	0.33	1.42	0.66	0.57	0.06	0.02	0.05
Philippines	0.53	0.88	1.01	1.44	0.87	1.62	1.77
Korea Dem.	0.07	0.64	5.00	1.23	0.52	0.73	0.59
Other	0.25	2.39	1.95	1.76	0.33	0.35	0.03
European Union	630.06	542.06	551.68	642.62	470.75	412.05	468.94
Germany	98.59	110.42	116.63	108.10	91.72	83.83	93.28
United Kingdom	123.44	98.30	95.03	93.82	67.82	57.04	58.50
Netherlands	49.80	68.01	59.54	69.52	61.34	45.57	69.29
Italy	32.28	48.82	37.03	44.64	34.21	26.03	48.92
France	89.75	58.49	66.02	117.43	36.60	20.70	29.45
Belgium	54.05	42.78	47.93	40.55	33.29	46.97	44.87
Sweden	56.32	24.78	22.36	21.49	17.02	14.37	15.48
Denmark	41.23	18.01	20.91	32.47	20.49	13.87	10.48
Ireland	15.72	18.17	18.81	22.80	19.10	19.69	21.38
Spain	12.87	12.98	11.42	20.35	14.79	18.61	18.05
Finland	4.75	2.02	2.38	6.72	4.90	2.51	2.61
Austria	6.62	4.61	5.93	5.39	5.45	6.12	6.15
Hungary	16.48	12.20	8.33	10.56	6.56	5.65	4.70
Poland	9.15	8.18	15.98	29.12	12.27	18.50	10.55
Czech Republic	0.92	1.10	1.12	2.74	10.31	19.02	2.16
Malta	0.02	0.00	0.00	0.00	0.16	0.00	-0.04
Romania	5.94	0.65	0.62	0.63	0.78	0.29	1.73
Bulgaria	6.06	1.88	0.35	0.32	0.47	0.30	0.53
Slovakia	0.11	0.47	0.57	0.83	0.38	0.60	1.06
Luxembourg	0.05	0.65	0.74	1.31	0.40	0.88	0.38
Cyprus	1.60	2.53	1.76	1.54	1.35	0.87	0.89
Portugal	0.34	4.34	1.60	0.95	1.58	1.46	5.48
Greece	0.69	0.76	2.74	5.10	1.24	0.83	5.97
Lithuania	0.74	1.00	1.01	2.80	12.30	5.22	5.43
Estonia	0.18	0.38	0.20	1.24	2.62	1.16	0.86
Other	2.37	0.53	12.66	2.20	13.60	1.96	10.78
Middle East	848.49	590.95	574.94	546.17	568.42	786.32	1,101.97
United Arab Emirates	359.43	347.05	319.71	281.86	344.06	440.34	660.20
Kuwait	16.73	12.56	6.14	2.42	0.27	0.58	0.27
Saudi Arabia	274.62	119.42	119.13	173.63	168.77	278.47	387.70
Lebanon	4.26	3.69	3.98	3.95	3.26	2.05	2.86
Bahrain	87.09	75.06	96.97	41.63	9.88	22.09	6.94
Qatar	4.83	15.16	10.74	16.49	5.40	8.52	13.55
Israel	7.43	5.56	5.86	6.44	4.69	4.92	4.58
Iran	5.25	2.84	3.11	3.36	3.17	6.62	10.89
Syrian Arab Rep.	0.55	0.34	0.20	0.16	0.00	0.02	0.01
Jordan	2.14	2.62	2.87	2.51	2.66	1.95	1.38
Iraq	0.05	0.00	0.00	0.00	0.00	0.01	0.00
Oman	86.10	6.63	6.07	13.70	26.25	20.75	13.58
Other	0.03	0.02	0.15	0.02	0.00	0.00	0.00
COMESA	796.72	708.21	729.36	748.96	708.89	803.69	881.49
Kenya	680.82	591.25	602.60	608.69	582.66	516.45	505.70

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Egypt	44.21	46.36	52.26	51.39	53.00	49.07	79.48
Swaziland	16.63	16.25	18.32	20.34	18.51	19.79	20.87
Congo (D.R.C)	25.58	30.09	24.89	31.50	22.25	147.80	171.22
Mauritius	7.98	7.71	6.24	9.68	6.16	4.08	6.41
Rwanda	8.94	7.48	12.09	9.52	11.79	10.60	20.25
Malawi	3.61	0.23	0.35	0.31	0.57	0.32	0.70
Sudan	4.82	5.91	5.29	2.58	0.06	0.17	0.33
Burundi	1.76	0.56	1.41	2.28	1.64	43.15	56.22
Zimbabwe	0.23	0.54	0.30	6.57	1.10	0.21	1.04
Ethiopia	0.37	0.23	0.14	0.25	0.67	0.13	0.33
Namibia	0.31	0.15	0.27	0.14	0.05	0.07	0.09
Zambia	1.27	1.15	4.38	3.15	5.28	3.08	3.26
Eritrea	0.00	0.08	0.02	0.05	0.00	0.00	0.10
South Sudan		0.00	0.00	0.76	4.67	7.54	14.54
Other	0.19	0.23	0.81	1.75	0.48	1.22	0.97
Rest of Africa	340.65	285.60	302.44	300.96	297.06	372.17	458.99
South Africa	232.32	227.82	232.83	235.86	211.52	191.53	231.54
Tanzania	54.82	47.48	55.12	55.11	76.34	169.22	210.08
Cote D'Ivoire	0.82	0.80	0.91	1.02	1.29	1.49	1.30
Ghana	2.07	4.40	4.72	2.55	0.39	0.18	0.19
Liberia	0.24	0.24	2.08	1.04	0.52	0.44	0.26
Nigeria	1.05	0.52	2.72	0.95	1.16	0.82	0.50
Benin	0.06	0.01	0.03	0.01	0.00	0.00	0.04
Gabon	0.22	0.36	0.25	0.12	0.01	0.01	0.00
Botswana	0.14	0.07	0.05	0.04	0.20	0.18	0.54
Mali	0.03	0.04	0.01	0.00	0.01	0.01	0.56
Cameroon	0.27	0.23	0.16	0.12	0.05	0.06	0.02
Burkina Faso	17.37	0.03	0.00	0.04	0.00	0.00	0.00
Senegal	0.12	0.05	0.07	0.13	0.11	0.06	0.16
Niger	0.20	0.13	0.13	0.03	0.05	0.00	0.00
Sierra Leone	0.00	0.04	0.01	0.03	0.02	0.00	0.04
Togo	0.12	0.16	0.25	0.22	0.23	0.16	0.29
Tunisia	30.80	0.76	0.54	0.32	0.06	0.16	0.16
Other	0.51	2.47	2.55	3.38	5.10	7.83	13.31
Rest of Europe	91.67	80.14	64.83	75.39	48.71	62.89	85.89
Ukraine	11.36	19.84	18.80	19.97	17.66	22.11	20.54
Turkey	54.12	23.38	17.04	19.73	15.77	23.32	25.50
Switzerland	23.87	33.82	23.97	31.30	12.24	11.80	19.40
Norway	1.40	2.60	4.23	3.48	2.55	3.56	19.15
Serbia	0.00	0.03	0.01	0.00	0.06	0.02	0.17
Croatia	0.00	0.05	0.03	0.04	0.01	0.02	0.33
Moldova Rep.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.92	0.43	0.76	0.87	0.43	2.07	0.79
Unclassified	274.23	215.45	146.75	132.65	143.68	155.91	173.36
USA	114.79	121.16	77.46	73.96	112.27	66.37	82.62
Brazil	55.68	27.46	12.55	11.18	6.35	22.97	27.35
Canada	19.49	17.89	16.30	19.06	15.67	16.25	16.62
Australia	27.64	17.85	16.61	6.07	3.49	10.38	8.44
Chile	0.08	0.33	0.07	0.09	0.10	0.10	0.12
Peru	0.00	0.00	0.03	0.02	0.03	0.02	0.01
Jamaica	0.12	0.06	0.08	0.03	0.01	0.01	0.01
Colombia	0.50	0.76	1.26	0.51	0.29	0.21	0.61
Mexico	5.22	0.59	2.97	1.72	1.58	1.29	3.87
Panama	0.00	0.14	0.05	0.14	0.06	0.01	0.01
British Virgin Islands	0.00	0.03	0.00	0.06	0.01	0.15	0.00
Argentina	31.16	19.48	13.14	14.49	0.29	33.79	25.84
Dominican Rep.	0.16	0.10	0.10	0.16	0.13	0.26	0.04
New Zealand	1.10	0.46	0.37	0.55	0.52	0.38	0.50
Uruguay	0.07	1.26	0.02	0.06	0.16	0.19	0.34
Cuba	0.00	0.00	0.27	0.00	0.03	0.07	0.06
Liechtenstein	0.04	0.02	0.02	0.01	0.00	0.00	0.00
Other	18.18	7.86	5.44	4.54	2.71	3.46	6.94
Total	5,222.0	5,035.1	5,073.5	4,988.0	4,574.5	4,718.4	5,491.1

Source: Bank of Uganda

Appendices

Appendix 10:Government Securities Outstanding by Holder (Face Value million UGX, at end of period)

	Mar17	Jun17	Sep17	Dec17	Mar18	Jun18
Treasury Bonds	**8,192,835.2**	**8,464,885.7**	**8,943,305.9**	**9,133,805.3**	**9,266,679.4**	**9,695,252.0**
Bank of Uganda	243,975.0	19,000.0	19,000.0	187,000.0	-	-
Other Depository Corporations[1]	2,018,569.8	2,216,003.1	2,521,451.9	2,771,469.5	2,645,031.3	2,693,943.5
Offshore	965,644.5	1,020,184.7	929,965.8	741,234.7	963,139.5	921,719.5
Others[2]	4,964,645.9	5,209,697.9	5,472,888.2	5,434,101.1	5,658,508.6	6,079,589.0
Treasury Bills	**4,229,127.2**	**3,600,000.0**	**3,402,000.0**	**3,267,000.0**	**3,212,235.4**	**3,860,734.2**
Bank of Uganda	-	-	-	-	-	-
Other Depository Corporations[1]	3,478,363.4	3,014,818.1	2,983,633.7	2,830,229.3	2,593,890.1	3,089,335.4
Offshore	195,751.2	91,681.4	-	2,187.9	1,087.4	170.1
Others[2]	555,012.6	493,500.5	418,366.3	434,582.8	617,257.9	771,228.7
Total	**12,421,962.**	**12,064,885.7**	**12,345,305.**	**12,400,805.**	**12,478,914.**	**13,555,986.2**
Bank	**5,740,908.2**	**5,249,847.1**	**5,524,085.6**	**5,788,698.8**	**5,238,921.4**	**5,783,278.9**
Non-Bank	**6,681,054.2**	**6,801,388.1**	**6,821,220.3**	**6,612,106.5**	**7,239,993.4**	**7,772,707.3**

[1] Constitutes Commercial Banks, Credit Institutions and Micro Finance Deposit-Taking Institutions.
[2] Includes National Social Security Fund & others
[3] All values are at face value

Source: Bank of Uganda

Appendix 11:Depository Corporations Survey (billion UGX)

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Net Foreign Assets	12,120.86	12,476.01	12,896.87	13,387.04	13,830.79	14,534.89	14,957.67
Central Bank(net)	11,820.80	12,167.01	12,843.24	13,617.43	13,852.40	13,747.64	13,360.71
Of Which: Official	10,955.64	11,649.01	12,157.29	12,795.59	13,284.22	13,275.16	12,494.84
Other Depository	300.05	309.00	53.64	-230.39	-21.60	787.26	1,596.96
Net Domestic Assets (NDA)	**6,851.01**	**6,593.34**	**7,039.15**	**6,714.17**	**7,565.89**	**6,659.07**	**7,517.40**
Domestic Claims	**14,401.40**	**14,418.09**	**14,634.57**	**14,697.15**	**15,605.79**	**15,015.35**	**16,116.14**
Claims on Central	**2,258.63**	**2,446.75**	**2,450.82**	**2,315.84**	**2,775.57**	**2,184.39**	**2,710.62**
Claims on Central	7,704.97	7,483.59	7,109.90	7,511.27	7,474.03	6,626.32	7,780.85
Less Liabilities to	5,446.35	5,036.85	4,659.08	5,195.44	4,698.46	4,441.94	5,070.23
Claims on Other Sectors	**12,142.78**	**11,971.34**	**12,183.75**	**12,381.31**	**12,830.22**	**12,830.97**	**13,405.52**
Other Financial	58.67	52.99	56.58	56.40	26.36	18.33	16.37
State and Local	1.04	1.11	1.41	1.27	1.26	1.12	1.07
Public Non-Financial	24.59	40.42	51.96	45.45	40.11	39.34	47.13
Private Sector	12,058.48	11,876.82	12,073.80	12,278.19	12,762.49	12,772.18	13,340.95
Of which: Loans	12,056.64	11,875.24	12,071.46	12,277.62	12,762.16	12,771.09	13,336.91
Other Items(Net)	**-7,550.39**	**-7,824.75**	**-7,595.42**	**-7,982.97**	**-8,039.90**	**-8,356.29**	**-8,598.73**
Shares and Other Equity	7,501.22	7,765.36	7,659.86	7,884.86	8,088.71	8,293.26	8,532.24
Consolidation Adjustments	35.63	59.21	-56.00	34.46	-87.26	-21.78	-71.15
Other Items(net)	-84.80	-118.61	120.44	-132.57	136.06	-41.25	4.67
Broad Money-M3	**18,971.87**	**19,069.35**	**19,936.03**	**20,101.21**	**21,396.69**	**21,193.96**	**22,475.07**
Foreign Currency Deposits	5,706.81	5,810.71	5,920.51	5,961.77	6,064.39	6,160.03	6,780.25
Broad Money-M2	**13,265.06**	**13,258.64**	**14,015.51**	**14,139.45**	**15,332.29**	**15,033.93**	**15,694.82**
Other Deposits-Local	5,439.93	5,482.00	5,860.95	5,873.49	6,183.80	5,951.07	6,235.26
Narrow Money-M1	**7,825.14**	**7,776.64**	**8,154.56**	**8,265.96**	**9,148.49**	**9,082.86**	**9,459.56**
Transferable Deposits-Local	4,349.89	4,603.48	4,812.36	4,926.41	5,320.41	5,467.53	5,685.52
Currency Outside Depository	3,475.25	3,173.16	3,342.20	3,339.55	3,828.09	3,615.33	3,774.04

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-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Net Foreign Assets	**12,167.01**	**12,843.24**	**13,617.43**	**13,852.40**	**13,747.64**	**13,360.71**
Claims on Non Residents	13,292.75	13,708.87	14,802.03	14,939.03	14,683.54	14,304.44
Of Which: Official Reserve Assets	11,649.01	12,157.29	12,795.59	13,284.22	13,275.16	12,494.84
Less Liabilities to Non Residents	1,125.75	865.64	1,184.61	1,086.64	935.90	943.73
Of Which: Short Term Liabilities	30.43	0.00	0.00	0.00	0.01	0.01
Net Domestic Assets (NDA)	**-6,409.56**	**-6,939.31**	**-7,748.11**	**-7,366.37**	**-7,726.22**	**-7,145.84**
Domestic Claims	**-2,424.25**	**-2,251.84**	**-2,523.84**	**-2,109.02**	**-2,519.32**	**-2,352.60**
Net Claims on Central Government	**-2,488.27**	**-2,309.90**	**-2,589.69**	**-2,177.39**	**-2,587.68**	**-2,419.78**
Claims on Central Government	2,090.41	1,908.59	1,968.15	1,774.48	1,310.62	1,932.52
Of which: Securities Other than Shares	1,018.88	842.31	672.03	753.28	292.50	972.50
Loans	1,071.53	1,066.28	1,296.11	1,021.20	1,018.12	960.02
Less Liabilities to Central Government	4,578.68	4,218.49	4,557.84	3,951.87	3,898.30	4,352.30
Of which: Deposits	4,578.68	4,218.49	4,557.84	3,951.87	3,898.30	4,352.30
Claims on Other Sectors	**64.02**	**58.06**	**65.85**	**68.37**	**68.36**	**67.18**
Other Financial Corporations	11.20	11.99	13.41	13.50	12.61	12.79
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	52.82	46.07	52.45	54.87	55.75	54.38
Of which: Loans	52.82	46.02	52.45	54.87	55.75	54.37
Claims on Other Depository Corporations	**512.85**	**675.49**	**677.95**	**636.82**	**624.79**	**620.61**
Of which: Loans	512.85	675.49	677.95	636.82	624.79	620.61
Other Liabilities to ODCs	**1,305.72**	**2,343.90**	**2,685.16**	**2,847.02**	**2,494.75**	**1,877.81**
Of which: Repos	771.92	829.98	653.00	564.40	291.64	978.21
Other Items(Net)	**-3,192.44**	**-3,019.06**	**-3,217.06**	**-3,047.16**	**-3,336.94**	**-3,536.03**
Shares and Other Equity	3,731.65	3,505.43	3,549.45	3,476.14	3,654.07	3,936.33
Other Items(Net)	539.21	486.36	332.39	428.98	317.13	400.30
Monetary Base Incl. foreign currency clearing balances	**5,757.45**	**5,903.93**	**5,869.32**	**6,486.03**	**6,021.42**	**6,214.87**
Monetary Base	**5,063.48**	**5,265.36**	**5,232.33**	**6,051.67**	**5,621.89**	**5,544.84**
Currency In Circulation	3,678.12	3,865.78	3,844.59	4,550.81	4,140.00	4,314.74
Liabilities to ODCs	1,385.36	1,399.58	1,387.74	1,500.85	1,481.89	1,230.10
Reserve Deposits	1,385.36	1,399.58	1,387.74	1,500.85	1,481.89	1,230.10
Other	0.00	0.00	0.00	0.00	0.00	0.00
Foreign Currency Clearing Balances	**693.96**	**638.57**	**636.99**	**434.36**	**399.53**	**670.03**

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-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Net Foreign Assets	300.05	309.00	53.64	-230.39	-21.60	787.26	1,596.96
Claims on Non Residents	2,520.06	2,427.35	2,146.55	2,152.44	2,270.09	2,568.04	3,442.55
Of Which: Foreign Currency	266.29	269.39	322.31	365.74	420.99	350.02	398.00
Deposits	2,164.74	2,075.26	1,672.62	1,621.95	1,618.35	1,887.79	2,686.97
Loans	44.72	45.44	130.61	146.18	229.36	309.00	315.94
Less Liabilities to Non Residents	2,220.01	2,118.36	2,092.92	2,382.83	2,291.69	1,780.78	1,845.59
Of Which: Deposits	614.03	517.10	438.24	579.19	541.90	406.49	494.01
Loans	1,590.60	1,589.81	1,620.02	1,762.56	1,725.55	1,363.65	1,338.43
Net Domestic Assets (NDA)	15,242.58	15,647.70	16,600.60	17,052.85	17,651.52	16,852.75	17,165.44
Domestic Claims	16,570.71	16,842.35	16,886.41	17,220.99	17,714.81	17,534.67	18,468.74
Net Claims on Central Government	4,487.23	4,935.02	4,760.72	4,905.53	4,952.96	4,772.06	5,130.40
Claims on Central Government	5,147.88	5,393.19	5,201.31	5,543.13	5,699.55	5,315.70	5,848.33
Less Liabilities to Central	660.65	458.17	440.59	637.60	746.59	543.64	717.93
Claims on Other Sectors	12,083.47	11,907.33	12,125.69	12,315.46	12,761.85	12,762.61	13,338.34
Other Financial Corporations	47.12	41.79	44.60	42.99	12.86	5.72	3.57
State and Local Government	1.04	1.11	1.41	1.27	1.26	1.12	1.07
Public Non-Financial Corporations	24.59	40.42	51.96	45.45	40.11	39.34	47.13
Private Sector	12,010.72	11,824.00	12,027.72	12,225.74	12,707.61	12,716.43	13,286.57
Of which: Loans	12,008.89	11,822.42	12,025.44	12,225.18	12,707.28	12,715.34	13,282.54
Claims on the Central Bank	3,542.20	3,950.60	4,687.44	5,070.29	5,264.05	4,688.90	4,069.93
Currency	573.19	504.96	523.58	505.04	722.73	524.67	540.70
Reserve Deposits	2,129.55	2,218.19	2,138.05	2,175.21	1,991.49	1,965.61	1,942.80
Other Claims	839.46	1,227.45	2,025.81	2,390.05	2,549.84	2,198.61	1,586.43
Labilities to the Central Bank	462.26	514.23	513.30	498.85	483.17	434.62	443.05
Other Items(Net)	-4,408.07	-4,631.01	-4,459.94	-4,739.59	-4,844.17	-4,936.20	-4,930.18
Shares and Other Equity	3,795.56	4,033.71	4,154.43	4,335.42	4,612.56	4,639.19	4,595.91
Other Items(Net)	-612.51	-597.30	-305.51	-404.18	-231.61	-297.01	-334.27
Deposits Liabilities to the Public	15,542.63	15,956.70	16,654.24	16,822.46	17,629.91	17,640.00	18,762.40
Deposits Included in Broad Money	15,496.62	15,896.18	16,593.83	16,761.67	17,568.60	17,578.63	18,701.03
Foreign Currency Deposits	5,706.81	5,810.71	5,920.51	5,961.77	6,064.39	6,160.03	6,780.25
Local Currency Deposits	9,789.82	10,085.48	10,673.31	10,799.90	11,504.21	11,418.60	11,920.78
Transferable Deposits	4,349.89	4,603.48	4,812.36	4,926.41	5,320.41	5,467.53	5,685.52
Other Deposits	5,439.93	5,482.00	5,860.95	5,873.49	6,183.80	5,951.07	6,235.26
Deposits Excluded from Broad Money	46.01	60.52	60.41	60.79	61.31	61.37	61.37

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-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Central Bank							
Claims on Non Residents	3612.31	3677.93	3817.67	4108.16	4109.69	3982.63	3687.15
Of Which: Official Reserve Assets	3034.38	3223.13	3385.58	3551.29	3654.45	3600.64	3220.70
Liabilities to Non Residents	338.30	311.48	241.06	328.78	298.93	253.84	243.26
Other Depository Corporations							
Claims on Non Residents	697.98	671.62	597.78	597.39	624.49	696.53	887.36
Of Which: Foreign Currency	73.75	74.54	89.76	101.51	115.81	94.94	102.59
Deposits	599.57	574.20	465.79	450.16	445.20	512.03	692.60
Loans	12.39	12.57	36.37	40.57	63.10	83.81	81.44
Less Liabilities to Non Residents	614.88	586.12	582.84	661.33	630.44	483.00	475.73
Of Which: Deposits	170.07	143.07	122.04	160.75	149.08	110.25	127.34
Loans	440.55	439.88	451.15	489.18	474.69	369.87	345.00
Domestic (Forex) Liabilities: Foreign Currency Deposits	1580.61	1607.75	1648.75	1654.63	1668.30	1670.79	1747.69
Domestic (Forex) assets: lending to private sector	1404.31	1382.04	1374.81	1378.49	1381.36	1355.15	1270.38

Source: Bank of Uganda

Appendix 15:Monetary Survey Key Ratios and Growth Rates

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
	3.00	6.00	9.00	12.00	3.00	6.00
Ratios to M3						
Foreign Currency Deposits (%)	30.47	29.70	29.66	28.34	29.07	30.17
Currency Outside Depository (%)	16.64	16.76	16.61	17.89	17.06	16.79
Shilling Demand deposits (%)	24.14	24.14	24.51	24.87	25.80	25.30
Shilling time & savings Deposits (%)	28.75	29.40	29.22	28.90	28.08	27.74
Money Multiplier (M3/Base)	3.77	3.79	3.84	3.54	3.77	4.05
Money Multiplier (M2/Base)	2.62	2.66	2.70	2.53	2.67	2.83
M2/M3	0.70	0.70	0.70	0.72	0.71	0.70
Shilling Time and Savings Deposits/Total Shilling Deposits (%)	54.36	54.91	54.38	53.75	52.12	52.31
Shilling Time and Savings Deposits/Total Deposits (%)	34.49	35.32	35.04	35.20	33.85	33.34
Shilling Demand Deposits/Total Shilling Deposits (%)	45.64	45.09	45.62	46.25	47.88	47.69
Shilling Demand Deposits/Total Deposits (%)	28.96	29.00	29.39	30.28	31.10	30.40
VULNERABILITY M3/RESERVES	1.64	1.64	1.57	1.61	1.60	1.80
VULNERABILITY M2/RESERVES	1.14	1.15	1.11	1.15	1.13	1.26

Source: Bank of Uganda

Appendix 16:Commercial Bank's Shilling Denominated Loans and Advances to the Private Sector

	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18
Agriculture	**295,015**	**390,639**	**429,750**	**480,934**	**571,773**	**764,534**
Production	110,716	151,280	183,680	225,934	310,125	418,314
Processing & Marketing(crop finance)	184,299	239,359	246,071	255,001	261,648	346,221
Mining and Quarrying	**14,083**	**11,051**	**31,022**	**31,579**	**26,653**	**34,940**
Manufacturing	**414,077**	**411,257**	**540,853**	**512,908**	**560,280**	**613,669**
Foods, Beverages, Tobacco	221,648	222,423	302,514	303,797	269,185	249,230
Textiles, Apparel and Leather	9,624	13,907	13,542	9,385	14,687	8,434
Wood, Wood Products & Furniture	1,699	6,562	9,126	6,198	5,567	6,423
Paper, Paper Products, Printing & Publishing	17,659	17,018	17,103	37,172	28,527	26,876
Chemicals, Pharmaceuticals, Plastic and Rubber	21,423	20,117	26,776	25,176	20,384	37,744
Basic and Fabricated Non-Metal and Metal Products	57,422	48,647	60,484	52,863	46,361	45,869
Building & Construction Materials.	32,011	25,042	16,396	25,317	30,736	34,815
Other Manufacturing Industries	52,591	57,542	94,912	53,000	144,832	204,277
Trade	**949,498**	**1,018,779**	**1,169,735**	**1,112,039**	**1,219,679**	**1,580,001**
Wholesale	365,323	322,365	544,501	471,108	585,708	729,766
Retail	445,181	583,213	527,855	527,931	484,626	588,004
Transport and Communication	**165,763**	**182,325**	**186,490**	**366,210**	**425,578**	**444,305**
Electricity & Water	**36,001**	**22,872**	**49,716**	**66,035**	**41,492**	**122,396**
Building, Mortgage, Construction and Real Estate	**1,013,422**	**1,081,954**	**1,136,238**	**1,190,810**	**1,176,323**	**1,311,099**
Business Services	**258,733**	**199,701**	**295,882**	**247,100**	**295,092**	**333,031**
Community, Social & Other Services	**179,635**	**229,207**	**240,030**	**254,236**	**247,959**	**287,476**
Personal Loans and Household Loans	**985,418**	**1,441,429**	**1,517,160**	**1,656,272**	**1,970,938**	**2,249,690**
Other Services	**314,982**	**72,848**	**78,322**	**84,875**	**58,646**	**39,057**
	4,626,628	**5,062,063**	**5,675,197**	**6,003,000**	**6,594,412**	**7,780,197**

Source: Bank of Uganda

Appendix 17:Commercial Banks' Forex Denominated Loans and Advances to the Private Sector

	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18
Agriculture	**266,933**	**413,303**	**546,173**	**585,208**	**711,887**	**765,919**
Production	125,722	136,146	218,097	186,724	142,335	158,341
Processing & Marketing(crop finance)	141,211	277,157	328,076	398,484	569,552	607,578
Mining and Quarrying	**13,393**	**11,001**	**18,659**	**37,643**	**46,755**	**51,693**
Manufacturing	**689,079**	**790,179**	**1,149,527**	**1,084,182**	**984,021**	**1,074,822**
Foods, Beverages, Tobacco	202,914	212,972	329,967	320,842	234,777	280,109
Textiles, Apparel and Leather	26,273	25,404	56,400	81,764	73,364	67,700
Wood, Wood Products & Furniture	11,158	14,031	18,757	5,493	4,972	13,774
Paper, Paper Products, Printing & Publishing	71,182	78,340	110,823	98,598	89,202	76,892
Chemicals, Pharmaceuticals, Plastic & Rubber Products	69,493	103,650	110,671	115,990	130,018	137,168
Basic and Fabricated Non-Metal and Metal Products	76,786	103,937	178,240	162,586	133,780	121,132
Building & Construction Materials.	150,626	139,878	168,350	130,189	140,096	199,517
Other Manufacturing Industries	80,647	111,967	176,319	168,720	177,811	178,531
Trade	**609,192**	**803,909**	**890,909**	**848,779**	**984,448**	**883,750**
Wholesale	143,185	267,440	462,244	419,563	456,316	357,515
Retail	104,134	167,596	196,622	213,135	197,887	242,438
Transport and Communication	**278,885**	**287,650**	**357,419**	**411,651**	**361,530**	**251,294**
Electricity & Water	**76,373**	**84,710**	**131,814**	**160,208**	**183,168**	**162,069**
Building, Mortgage, Construction and Real Estate	**771,884**	**958,784**	**1,309,671**	**1,382,535**	**1,277,057**	**1,339,653**
Business Services	**128,702**	**182,684**	**204,513**	**161,310**	**191,590**	**178,653**
Community, Social & Other Services	**64,112**	**67,930**	**110,967**	**117,756**	**130,669**	**189,828**
Personal Loans and Household Loans	**70,729**	**82,503**	**85,101**	**81,221**	**88,378**	**89,478**
Other Services	**80,517**	**38,953**	**60,127**	**56,246**	**23,003**	**16,951**
Total	**3,049,799**	**3,721,606**	**4,864,880**	**4,926,738**	**4,982,506**	**5,004,110**

Source: Bank of Uganda

Appendix 18:Commercial Banks' Activities (UGX billion)

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Liabilities							
Total Deposits	15,887.4	16,102.2	16,762.4	17,078.0	17,970.9	17,782.1	19,056.0
Private Demand Deposits	4,375.2	4,652.3	4,865.3	4,977.3	5,354.8	5,506.1	5,731.2
Private Time & Savings Deposits	5,055.8	5,104.7	5,472.5	5,462.6	5,740.7	5,527.6	5,801.0
Foreign Exchange deposits	5,708.3	5,810.7	5,915.1	5,949.3	6,048.5	6,143.7	6,750.0
Government Deposits	660.6	458.2	440.6	637.6	746.6	524.8	685.6
Inter bank deposits (excluding own)	87.4	76.2	68.9	51.2	80.3	80.0	88.2
Foreign Liabilities	1,877.0	1,778.1	1,726.4	2,027.3	1,973.0	1,467.0	1,553.9
Borrowing at Bank of Uganda	417.0	466.3	465.7	446.2	426.2	375.6	387.9
Items in Transit	0.0	0.1	0.2	1.3	0.0	0.9	1.7
Capital and Reserves	3,384.9	3,724.7	3,724.6	3,727.2	3,815.0	4,347.6	4,088.4
Other Liabilities	2,212.6	2,433.6	2,476.3	2,628.4	2,654.4	2,344.9	2,596.9
Total	**23,778.9**	**24,504.9**	**25,155.6**	**25,908.4**	**26,839.5**	**26,318.0**	**27,684.8**
Assets							
Cash held	546.4	476.2	489.5	471.4	690.7	494.9	507.4
Balances with Bank of Uganda	2,967.7	3,444.3	4,162.5	4,563.2	4,540.0	4,162.7	3,526.8
Foreign Assets	2,472.4	2,385.2	2,119.6	2,127.0	2,263.1	2,542.1	3,397.9
Government Securities	5,105.3	5,356.8	5,145.7	5,438.9	5,610.1	5,240.9	5,772.5
Advances and Discounts	11,489.3	11,337.4	11,547.3	11,766.0	12,211.3	12,220.1	12,767.5
Investments in Stocks and Shares	49.2	49.1	32.5	31.6	13.7	10.2	20.8
Other Assets	1,148.7	1,456.1	1,658.5	1,510.3	1,510.6	1,647.1	1,691.8
Total	**23,778.9**	**24,504.9**	**25,155.6**	**25,908.4**	**26,839.5**	**26,318.0**	**27,684.8**

Source: Bank of Uganda

Appendices

Appendix 19:Structure of Interest Rates (annual percentage)

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank of Uganda									
Ways and Means	13.88	13.06	13.01	10.82	10.06	9.25	8.00	8.25	9.22
Rediscount rate	19.00	18.00	16.00	15.50	14.00	14.00	13.50	13.00	13.00
Central Bank Rate	15.00	14.00	12.00	11.50	10.00	10.00	9.50	9.00	9.00
Treasury Bills									
91 Days	13.88	13.06	13.01	10.82	10.06	9.25	8.00	8.25	9.22
182 Days	14.77	13.95	13.61	11.44	10.88	9.10	8.02	8.45	10.16
273 Days									
364 Days	14.92	13.82	13.73	12.17	12.00	9.55	8.28	8.72	11.19
Commercial Banks (Weighted Average)									
Local Currency									
Deposit Rates	4.11	4.41	3.95	3.00	2.48	3.01	2.74	2.89	2.59
Demand deposits	1.90	2.32	1.90	1.78	1.60	1.54	1.48	1.50	1.26
Savings deposits	3.71	3.63	3.69	3.02	2.34	3.55	3.54	3.55	3.51
Time Deposits	12.24	11.85	12.08	10.30	8.86	9.04	8.22	8.82	9.28
Lending Rates	23.54	23.71	22.72	22.45	21.11	20.89	20.28	20.10	17.68
Foreign Currency									
Deposit Rates	1.26	1.26	1.20	1.33	1.63	1.29	1.31	1.23	1.55
Demand deposits	0.96	0.95	0.98	1.00	0.99	0.98	0.98	1.00	1.00
Savings deposits	1.49	1.49	1.51	1.67	1.68	1.63	1.71	1.67	1.83
Time Deposits	3.28	3.36	3.83	2.97	3.54	3.18	2.99	3.41	2.53
Lending Rates	9.47	8.73	9.15	8.14	8.15	7.56	7.57	7.32	8.36

Source: Bank of Uganda

Appendix 20:Foreign exchange rates (UGX per USD)

Year/Month	Bureau Weighted Buying Rate	Selling Rate	Bureau Middle Rate	Official Middle Rate	Nominal Effective Exchange Rate (NEER, 2010 = 100)	Real Effective Exchange Rate (REER, 2010 = 100)
Calendar Year Average						
2009	2,158.63	2,166.80	2,162.67	2,030.49	92.79	97.25
2010	2,170.24	2,179.44	2,174.80	2,177.56	100.00	100.00
2011	2,509.01	2,522.73	2,515.87	2,522.75	114.27	107.95
2012	2,493.89	2,504.29	2,499.09	2,503.31	109.19	98.33
2013	2,578.46	2,586.96	2,582.71	2,586.46	108.06	97.58
2014	2,592.25	2,597.24	2,594.75	2,600.33	105.25	96.40
2015	3,226.47	3,241.71	3,234.10	3,245.54	121.69	108.59
2016	3,406.55	3,421.89	3,414.22	3,420.45	124.52	108.77
2017	3,596.27	3,642.80	3,619.53	3,611.22	130.81	113.42
Fiscal Year Average						
2010/11	2,315.90	2,324.95	2,320.43	2,323.43	106.81	106.18
2011/12	2,541.81	2,557.94	2,549.87	2,559.12	113.73	102.60
2012/13	2,580.33	2,589.22	2,584.78	2,588.95	110.66	100.36
2013/14	2,533.11	2,537.23	2,535.17	2,538.34	104.00	94.27
2014/15	2,815.51	2,825.41	2,820.46	2,823.22	110.81	100.98
2015/16	3,428.44	3,445.55	3,436.99	3,442.96	126.28	110.98
2016/17	3,514.72	3,562.66	3,538.69	3,528.30	126.20	110.75
2017/18	3,643.17	3,663.31	3,653.24	3,659.15	127.57	110.74
Monthly Average						
2016 Jan	3,426.09	3,443.56	3,434.82	3,451.21	124.67	109.20
Feb	3,414.59	3,431.04	3,422.82	3,435.11	124.53	109.02
Mar	3,354.37	3,368.22	3,361.30	3,365.50	122.90	106.88
Apr	3,332.43	3,343.46	3,337.94	3,343.57	123.08	107.35
May	3,337.36	3,355.41	3,346.39	3,348.92	122.80	107.48
Jun	3,357.22	3,370.80	3,364.01	3,367.99	123.34	108.53
Jul	3,357.11	3,388.31	3,372.71	3,379.29	123.60	109.05
Aug	3,363.44	3,375.51	3,369.47	3,373.54	123.92	108.82
Sep	3,372.80	3,382.79	3,377.79	3,381.41	123.99	108.23
Oct	3,428.11	3,440.18	3,434.14	3,435.85	125.23	108.99
Nov	3,551.87	3,564.71	3,558.29	3,560.62	128.04	111.31
Dec	3,583.23	3,598.72	3,590.98	3,598.17	128.13	110.44
2017 Jan	3,575.35	3,630.42	3,602.88	3,609.48	128.38	111.41
Feb	3,566.65	3,889.01	3,727.83	3,585.35	128.30	110.99
Mar	3,589.02	3,608.82	3,598.92	3,599.01	129.33	111.62
Apr	3,604.81	3,655.92	3,630.36	3,618.70	130.48	112.63
May	3,601.56	3,623.96	3,612.76	3,623.61	131.07	112.72
Jun	3,582.74	3,593.62	3,588.18	3,591.10	130.36	112.68
Jul	3,585.58	3,593.60	3,589.59	3,601.53	130.90	114.00
Aug	3,595.98	3,612.04	3,604.01	3,606.03	131.92	115.24
Sep	3,584.33	3,593.99	3,589.16	3,599.87	131.97	114.44
Oct	3,625.41	3,639.76	3,632.58	3,637.91	132.38	114.80
Nov	3,629.96	3,639.22	3,634.59	3,638.85	132.23	115.19
Dec	3,613.84	3,633.20	3,623.52	3,623.26	132.42	115.32
2018 Jan	3,632.14	3,645.00	3,638.57	3,640.05	132.98	117.36
Feb	3,621.09	3,642.85	3,631.97	3,637.56	131.38	116.29
Mar	3,643.30	3,661.28	3,652.29	3,660.12	131.97	119.02
Apr	3,687.84	3,700.69	3,694.27	3,697.24	132.82	117.18
May	3,672.79	3,752.88	3,712.84	3,726.84	131.96	116.78
Jun	3,825.76	3,845.15	3,835.46	3,840.48	133.91	119.06

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
2015/16	3,476.03	3,542.06	7,012.71	6,286.63
2016/17	3,194.33	3,193.43	7,154.68	6,262.83
2017/18	3,423.93	3,398.71	7,570.61	7,191.60
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
Total	**3253.62**	**3309.45**	**7051.52**	**6177.93**
2017Jan	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
Jul	257.40	256.15	743.62	657.26
Aug	286.50	284.04	708.48	649.22
Sep	264.89	266.28	600.58	537.08
Oct	278.29	274.63	625.77	623.64
Nov	272.88	269.88	633.55	557.42
Dec	293.80	299.03	660.80	557.98
Total	**3213.84**	**3203.38**	**7603.94**	**6818.34**
2018 Jan	297.05	300.95	665.20	660.39
Feb	273.82	277.62	561.29	533.42
Mar	290.71	277.62	574.29	578.13
Apr	269.84	271.90	552.20	518.35
May	321.84	319.32	608.31	616.89
Jun	316.93	301.30	636.50	701.82

Source: Bank of Uganda

Appendix 22: Composite Consumer Price Index, Uganda (2009/10 = 100)

	Food & Non-Alcoholic Beverages	Alcoholic Beverages Tobacco and Narcotics	Clothing & Footwear	Housing, Water Electricity, Gas and Fuels	Furnishings, Household Equipment & Routine Household	Health	Transport	Communication	Recreation and Culture	Education	Restaurants and Hotels	Miscellaneous Goods and Services	All Items Index	Monthly % Change	Annual % Change
Weight	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**		
															Calendar Year (Average)
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	**150.7**		4.9
2016	169.6	153.5	184.9	176.1	170.6	155.0	138.3	106.1	124.8	180.4	154.0	160.7	159.0		5.5
2017	186.8	154.8	190.8	184.8	180.4	157.7	139.7	103.2	132.6	196.8	162.9	165.0	167.9		5.6
															Fiscal Year (Average)
	183.9	138.6	139.4	159.3	159.9	115.0	135.2	151.0					**153.4**		6.5
	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
	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
	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
	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
2015/1	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
2016/1	179.6	154.0	188.7	179.1	175.6	156.7	139.7	105.9	128.0	192.1	158.6	163.8	164.1		5.1
2017/1	186.5	156.7	193.1	190.4	183.8	159.5	143.8	96.5	135.1	200.7	165.9	165.5	169.7		3.4
															Monthly
2017	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
Jul	184.9	153.9	192.3	183.7	180.0	156.9	136.9	103.6	134.8	197.3	164.3	164.6	**167.1**	-0.4	5.7
Aug	186.2	154.2	192.4	184.3	180.6	157.7	137.0	97.5	134.6	198.3	164.2	164.5	**167.3**	0.2	5.2
Sep	189.4	155.4	188.0	188.6	181.8	158.2	139.1	97.1	134.2	198.3	164.6	165.3	**169.0**	1.0	5.3
Oct	189.6	156.6	190.2	190.9	182.5	158.7	138.3	97.2	134.6	199.0	165.5	164.9	**169.5**	0.3	4.8
Nov	188.2	156.7	189.9	189.7	183.4	158.9	137.6	103.1	134.5	199.0	165.6	165.2	**169.2**	-0.2	4.0
Dec	185.9	157.1	191.7	189.9	183.7	159.5	147.3	103.5	135.1	199.0	166.1	165.7	**170.2**	0.6	3.4
2018Ja	184.5	157.4	192.0	191.0	183.3	160.0	145.7	103.4	135.1	199.0	165.8	165.0	**169.7**	-0.3	3.0
Feb	184.7	157.8	195.2	192.0	184.7	160.7	146.8	90.1	135.3	199.6	166.2	165.5	**169.7**	0.0	2.1
Mar	185.6	156.7	195.0	191.7	185.5	160.6	149.2	90.0	135.5	204.2	166.3	165.7	**170.5**	0.5	2.0
Apr	186.6	157.8	195.4	191.9	185.6	160.9	149.3	90.7	135.4	204.2	167.3	165.8	**171.0**	0.3	1.8
May	188.2	158.6	197.2	192.8	187.1	160.5	149.3	90.8	135.9	204.2	167.9	166.6	**171.8**	0.5	1.7
Jun	184.3	158.2	198.1	198.1	187.6	161.0	148.9	90.8	135.9	206.2	167.5	167.5	**171.5**	-0.2	2.2

Source: Bank of Uganda