Uganda Bankers' Association

Promoting Partnerships. Transforming Banking.

UGANDA'S BANKING SECTOR REPORT

For the year 2022 and June 30, 2023

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Table of Acronyms

No	Abbreviation	In Full
1	**ATM**	Automated Teller Machine
2	**bn**	Billion
3	**BoU**	Bank of Uganda
4	**bps**	Basis points
5	**CBR**	Central Bank Rate
6	**Covid-19**	Corona Virus Disease 2019
7	**CRR**	Cash Reserve Requirement
8	**EAR**	Equity to Asset Ratio
9	**GDP**	Growth Domestic Product
10	**NIM**	Net Interest Margin
11	**NPL**	Non-Performing Loan
12	**POS**	Point of Sale
13	**PSC**	Private Sector Credit
14	**ROA**	Return on Assets
15	**ROE**	Return on Equity
16	**RTGS**	Real Time Gross Settlements
17	**RWA**	Risk Weighted Assets
18	**SFI**	Supervised Financial Institution
19	**Shs**	Ugandan Shillings
20	**tn**	Trillion
21	**UGX**	Ugandan Shilling
22	**USD**	United States Dollar
23	**YoY**	Year- on- Year

About this Report

The Uganda Bankers' Association Research Centre will publish an annual report reviewing the Ugandan Banking Sector. The objectives of this review are to enhance understanding of the Ugandan banking sector, empower stakeholders to strategically position the industry and offer policy recommendations for its continued growth.

The report uses data from Financial Statements of Supervised Financial Institutions, where available, as well as data on macro-economic variables from sources including Bank of Uganda and Uganda Bureau of Statistics. Other data sources include the Agent Banking Company.

Foreword by Executive Director Uganda Bankers' Association

I am pleased to present to you this report on Uganda's Banking Sector as of June 2023.

This report shows trends of different income statement and balance sheet items of Uganda's banking industry, as well as individual Supervised Financial Institutions, as highlighted in the different sections of the report. It also includes trends of some macroeconomic factors and financial inclusion statistics.

There have been several developments and transformations in the banking sector over the years occasioned by digital transformation, changes in customer preferences, changes in different macroeconomic factors including policies and regulations, catastrophic events for example the covid-19 pandemic, among others. In response, the banking sector continues to adapt to meet the requirements and needs of its different stakeholders.

It is thus of great importance to understand the performance and health of the banking industry, including the past, current and the outlook, which this report presents. The insights can be leveraged on by the different stakeholders and staff of Financial Institutions, investors, policy makers, academia, banking industry clients and the entire banking and financial ecosystem.

It is our hope that this report shall serve as a point of reference and knowledge for the various banking and financial sector stakeholders.

Special thanks to the Uganda Bankers' Association research team for the detailed and comprehensive report, as well as all those who shared their insights.

Wilbrod Humphreys Owor
Executive Director
Uganda Bankers Association

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Jackie Karatunga

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Jackie holds a Master of Arts in Economics and a Bachelor of Arts in Development Economics from Makerere University and has over three years of experience in research related activities including data collection, analysis, and writing.

CHAPTER 01

Uganda's Macroeconomic Environment

The performance of the overall banking sector in Uganda is affected by broader macroeconomic factors and the regulatory environment. Below are some highlights of selected macroeconomic factors.

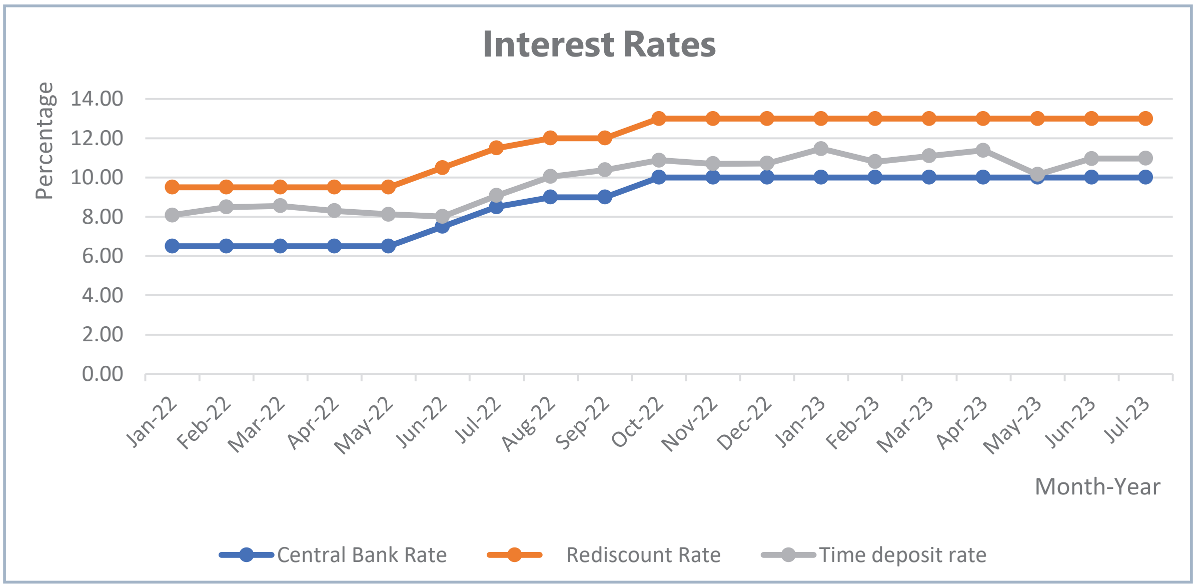
1.1 Central Bank Rate (CBR) (BOU, 2022; 2023)

BOU maintained the CBR at 6.5 percent in February 2022. However, in June 2022, the CBR was raised by 100 basis points (bps) in response to a deteriorating inflation outlook and the necessity to prevent inflation expectations from significantly drifting upwards. In August 2022, BOU increased the CBR by 50 basis points to 9 percent and it was maintained in September 2022. This decision was made in response to an unfavourable inflation outlook and the need to prevent the upward drift of inflation expectations. In October 2022, BOU raised the CBR by 100bps setting it at 10 percent, and this rate was retained until July 2023.

Throughout the period of January 2022 to June 2023, the band on the CBR was maintained at +/-2 percentage point deviation from CBR. In addition, the stance of the CBR was aligned with the goal of achieving the medium-term inflation target of 5%, considering prevailing economic conditions, future prospects, and the balance of associated risks.

In June 2022, BOU also increased the cash reserve requirement (CRR) from 8 percent to 10 percent of total deposits of commercial banks to minimize the spillover of the structural liquidity causing volatility in the interbank foreign exchange market (IFEM).

Figure 1: Monthly Interest Rates



Source: Bank of Uganda

1.2 Gross Domestic Product (GDP) (UBOS, 2022; 2023)

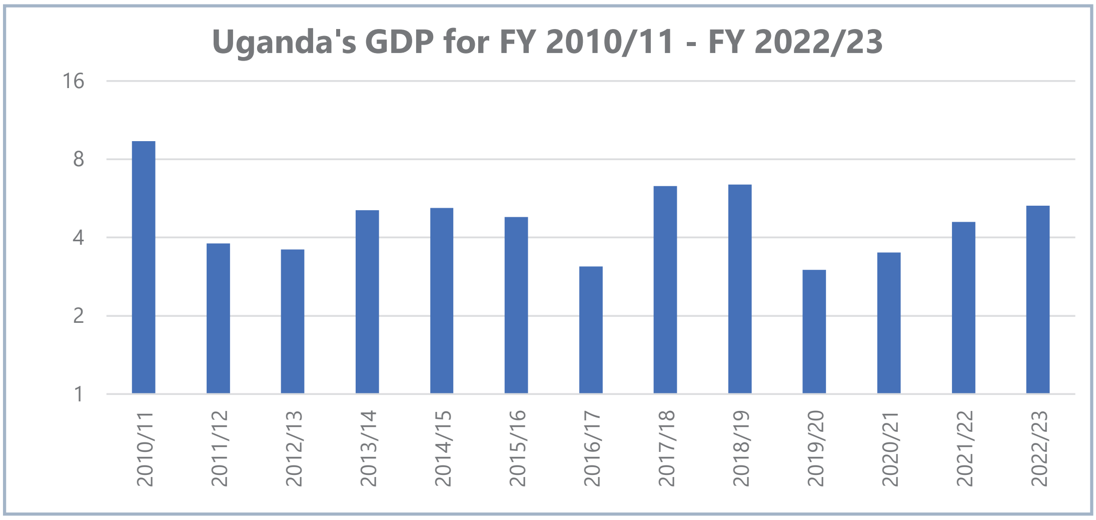
In the first quarter of 2022, Year-on-year, GDP growth rate slowed down to 5.9 percent from the 7.6 percent observed in the fourth quarter of 2021, and this slowdown was evident across all sectors. Subsequently, in the quarter to June 2022, the GDP further contracted to 4.9 percent but rebounded to 7.5 percent in the quarter ending September 2022. However, in the quarter ending December 2022, Year-on-year GDP growth dipped to 4.4 percent.

Nonetheless, for the entire fiscal year 2022/23, the GDP registered a growth of 5.3 percent, marking the highest level since the onset of the COVID-19 pandemic. It is worth noting that this growth, while significant, still falls short of the pre-pandemic GDP level of 6.4 percent recorded in the fiscal year 2018/19. The growth in GDP in 2022 is partly attributed to the full opening of the economy at the end of January 2022, among other contributing factors.

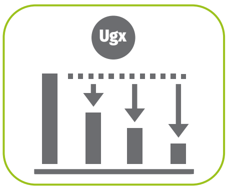
GDP
5.3%
growth
2022/23

for the entire fiscal year **2022/23**, the GDP registered a growth of **5.3 percent**, marking the highest level since the onset of the COVID-19 pandemic

Figure 2: Uganda's GDP for FY 2010/11 - FY 2022/23



Source: Uganda Bureau of Statistics



By **June 2022**, annual headline and core inflation rates had risen to 6.8 percent and **5.5 percent**, respectively, up from **2.7 percent** and **2.3 percent** in January 2022.

1.3 Inflation (BOU, 2022; 2023)

In the quarter ending February 2022, annual headline and core inflation experienced an uptick, reaching 2.9 percent and 2.8 percent, from 2.2 percent and 2.3 percent respectively in the preceding quarter, which ended in November 2021. This increase was primarily attributed to several factors, including the surge in fuel prices driven by elevated international oil prices, elevated costs associated with adapting education services to meet Standard Operating Procedures (SOPs), and cost-push pressures stemming from shortages of raw material shortages due to persistent disruptions in the global supply chain.

By June 2022, annual headline and core inflation rates had risen to 6.8 percent and 5.5 percent, respectively, up from 2.7 percent and 2.3 percent in January 2022. Prices of essential commodities such as cooking oil, soap, food items, fuel, and transportation rose sharply. This surge in inflation and marked price increases were mainly due to hikes in global prices, disruptions in the global supply chains attributable to the COVID-19 pandemic, the Russia-Ukraine conflict, trade restrictions in some countries, COVID-19 restrictions, and the significant depreciation of the Ugandan Shilling. The depreciation of the currency contributed to higher production and import costs, compounded by adverse dry weather conditions.

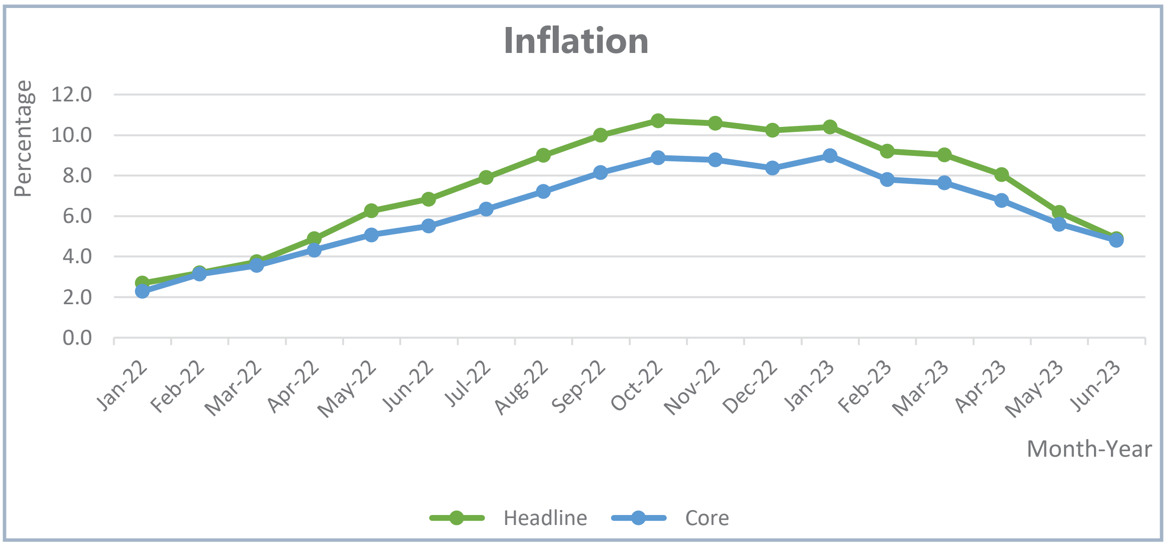
In August 2022, there was continued upward pressure on inflation, primarily driven by the accelerated prices of services, energy, and utilities, as well as food. Headline inflation rose to 9.0 percent from 7.9 percent in July 2022, while core inflation rose to 7.2 percent from 6.3 percent.

In November 2022, the annual headline inflation decreased slightly to 10.6 from 10.7 percent in October 2022. Similarly, the annual core inflation declined from 8.9 percent to 8.8 percent in the same period. This reduction can be attributed mainly to the impact of previous monetary policy decisions, diminishing effects of the supply disruptions and the stabilization of global commodity prices that had been previously elevated due to geopolitical conflicts.

It is worth noting that inflation peaked in the quarter to December 2022, reaching 10.4 percent during that period. However, in March 2023, annual headline and core inflation declined to 9.0 percent and 7.6 percent from 9.2 percent and 7.8 percent, respectively recorded in February 2023 mainly due to retreating international commodities' prices especially for energy, the relatively stable shilling and the appropriately tight domestic monetary and fiscal policies.

Annual headline and core inflation continued to decline reaching 6.2 percent and 5.6 percent in May 2023 from 8.0 percent and 6.8 percent in April 2023, mainly driven by a fall in food inflation which contributed over 66.8 percent to the deceleration in overall price level. In June 2023, inflation declined further to 4.9 percent and 4.8 percent for annual headline and core inflation respectively.

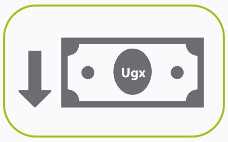
Figure 3: Inflation



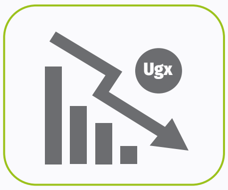
Source: Bank of Uganda

1.4 Exchange Rate (BOU, 2022; 2023)

During the quarter ending February 2022, the Ugandan Shilling maintained its trend of appreciation, which had been observed on average since the beginning of 2019. The currency appreciated by 0.6 percent quarter-on-quarter and saw a 3.9 percent increase compared to the same quarter in the previous year, on average. However, in early March 2022, there were indications of the Uganda shilling weakening against the US dollar. This shift in momentum was attributed to bearish sentiments stemming from international sanctions imposed on Russia.

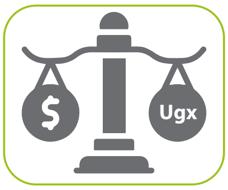


In June 2022, the Uganda Shilling experienced a depreciation of 3.1 percent against the US dollar month-on-month and appreciated by 5.8 percent year-on-year. This depreciation was primarily attributed to bearish sentiments triggered by the Federal Reserve's tightening of monetary policy, which created nervousness amongst offshore investors in Uganda. Additionally, the deteriorating terms of trade led to increased demand for US dollars, particularly among the energy companies and other importers. To address this situation, Bank of Uganda intervened by selling US dollars amounting to US$260 million during the two months of May and June 2022. Furthermore, the central bank refrained from accumulating additional reserves during this period.



In the quarter ended August 2022, the Uganda Shilling depreciated by 5.6 percent on a quarter-on-quarter comparison and a 7 percent depreciation on a year-on-year basis. This depreciation was primarily attributed to global financial conditions tightening, which led to portfolio investors withdrawing from the domestic debt market. Additionally, there was an increased demand for US dollars, particularly from oil and manufacturing firms, as global commodity prices experienced rapid increases. Nevertheless, the pace of depreciation was gradually moderated by the monetary policy actions taken by BOU. BOU implemented measures to tighten the liquidity conditions in the money markets, including raising the CRR and the CBR. These actions aimed to mitigate the depreciation of the Ugandan Shilling.

In the quarter ended November 2022, there was a noticeable reduction in depreciation pressures. The quarter-on-quarter depreciation rate decreased significantly to 0.3 percent from the 2.8 percent depreciation observed in the previous quarter. In November 2022, the Uganda shilling appreciated by 1.6 percent month-on-month to an average mid-rate of UGX 3,761.1 per US dollar. Several factors contributed to this appreciation, including the tightening of monetary policy, a reduction in global transportation costs, a decrease in global commodity prices such as crude oil, an increase in workers' remittances and foreign direct investment in the oil sector. However, when compared year-on-year, the Uganda shilling was 5.9 percent weaker.

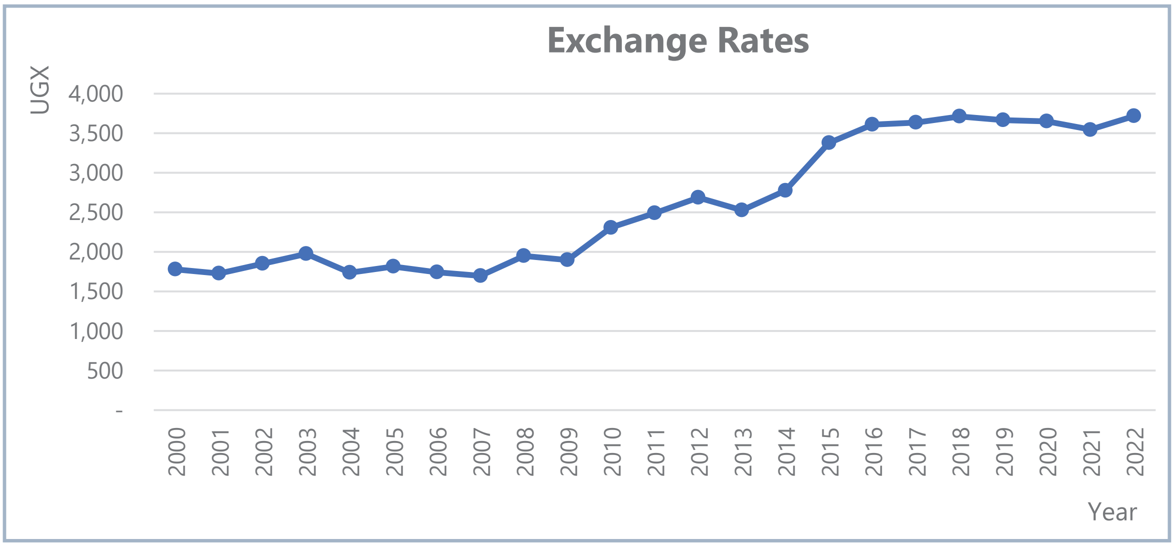


In the quarter to March 2023, the Uganda Shilling experienced a nominal appreciation of 1.3 percent quarter-on-quarter to average UGX 3707.9/USD and remained stronger relative to the pre-Covid-19 levels. The factors that supported the appreciation include the tight monetary policy stance which lessened the outflow of short-term capital, a relative improvement in the terms of trade leading to temporal improvement in export earnings, the trade balance and ultimately the account of the balance of payments, strong foreign direct investment inflows especially in the oil sector and increase in forex receipts from tourists as well as stable inward remittances from workers.

In the three months to May 2023, the Shilling depreciated by 1.4 percent compared to the previous quarter. In May 2023, the shilling regained strength against the US dollar with an appreciation of 0.4 percent month-on-month, mainly supported by the continued restrictive monetary policy stance, an increase in export revenues and improving terms of trade.

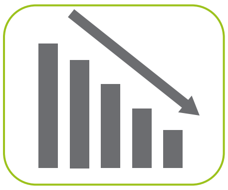
In June 2023, the appreciation was 1.2 percent month-on-month and 5.2 percent year-on-year. In the three months to July 2023, the Shilling was generally stable, appreciating on average by 0.6 percent compared to an average depreciation of 5 percent in the quarter to April 2023 during which it faced some depreciation pressures due to sentiments related to the March 2023 banking sector turmoil.

Figure 4: Exchange Rates



Source: Bank of Uganda

1.5 Fiscal Operations (BOU, 2022; 2023)



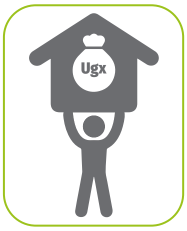
During the eleven months of the fiscal year 2021/22, fiscal operations were hampered by revenue shortfalls. Revenue and grants under performed by UGX 1,403.7 billion and government expenditure also did not meet the budget, coming in UGX 1,685.0 billion below expectations. Consequently, the resulting fiscal deficit was UGX 9,322.1 billion, which was slightly below the projected deficit by UGX 281.3 billion.

In July 2022, the execution of the budget was constrained by a resources shortfall that was smaller than anticipated, primarily because grants were considerably below initial expectations. Total revenue amounted to UGX 1,797.2 billion, which was UGX 87.1 billion less than the program target. Simultaneously, total government expenditure reached UGX 1,982.5 billion, falling short of the planned expenditure by UGX 1,236.8 billion.

During the initial nine months of the fiscal year 2022/23, fiscal activities did not align with the program targets. Government expenditure reached UGX 24,936.4 billion compared to the projected expenditure of UGX 27,176.3 billion. As a result, the fiscal deficit amounted to UGX 6,325.8 billion, which was lower than the planned deficit by UGX 902.2 billion.

In FY2022/23, fiscal operations were less expansionary than planned in part reflecting fiscal consolidation efforts, revenue shortfalls, lower-than-target external financing and the need to stem public debt increase. A combination of tight domestic and global financial conditions with shortfalls in domestic revenue affected the fiscal operations in FY2022/23. Total government expenditure was 9.4 percent lower than the amount planned, largely because some of the anticipated external financing did not materialize, resulting into a 31.2 percent cut in development expenditure, translating to a 23.3 percent reduction relative to the previous financial year. The cost of debt servicing overshot the planned amount by 32.7 percent and FY 2021/22's outturn by 31.0 percent, mainly due to tight financial conditions. This resulted in higher current expenditure of 4.3 percent above target and 9.9 percent above that of FY 2021/22, respectively. Excluding interest payments, current expenditure was less than planned by UGX 569.2 billion due to fiscal consolidation efforts.

Although revenue and grants grew by 14.5 percent relative to FY 2021/22 , they underperformed relative to the planned amount by 5 percent as more than half of planned grants worth UGX 1,138.2 billion did not come through. In addition, although domestic revenue improved by 15.9 percent relative to the previous year, it fell below the planned amount by 1.0 percent. The resultant fiscal deficit, largely financed from the domestic sources, was lower than FY 2021/22's deficit by 35.4 percent and the planned deficit by 22.0 percent.



1.6 Debt Stock (BOU, 2022; 2023)

At the end of January 2022, the total nominal public debt stood at UGX 73,545 billion, reflecting a 5.5 percent increase from June 2021. This growth was primarily driven by a UGX 2,768.7 billion increase in domestic debt. Additionally, the external debt exposure reached US$ 12,913.7 million during the same period, marking a 3.7 percent increase. This expansion was primarily attributed to heighted debt levels from multilateral creditors and private banks.

At the end of May 2022, the total nominal public debt amounted to UGX 78,522.6 billion, which was approximately 51.2 percent of the GDP. This marked an increase of 11.8 percent compared to the figures from June 2021. The rise was primarily attributed to a substantial 16.3 percent increase in domestic debt. Furthermore, external debt continued to constitute the predominant portion, accounting for 60.7 percent of the overall public debt.

In June 2022, Fitch Rating agency upgraded Uganda's Long-Term Foreign-Currency Issuer Default Rating (IDR) to B+ from a negative outlook. This upgrade was based on Fitch's expectation that the continued sustained recovery in real GDP growth and reduction in the fiscal deficit would contribute to a broad stabilisation of the government debt to GDP ratio.

At the end of July 2022, total nominal public debt amounted to UGX 80,044.3 billion, which accounted for approximately 49 percent of GDP. This marked an increase of about 14 percent when compared to the debt stock as of July 2021.

Moving to October 2022, the nominal value of public debt stood at UGX 79,938.1 billion, representing approximately 49 percent of GDP. During the initial four months of the fiscal year 2022/23, the total debt service, which encompasses both domestic and external obligations, averaged 37 percent of domestic revenues.

As at end March 2023, the provisional total public debt stock at nominal value stood at UGX 86,352.6 billion, approximately 47.7 percent of GDP. The total public debt increased by 8.1 percent relative to the June 2022 figure at cost and the increase was observed for both domestic and external debt, with external debt maintaining the lion's share at 59.9 percent.

As at end April 2023, the provisional total public debt stock stood Shs.84,059 billion (approximately 47 percent of GDP), largely driven by a 9.0 percent increase in domestic debt although external debt maintained the dominant share at 60.2 percent of the total public debt.

As at the end of the FY 2022/23, the total public debt stock in nominal value stood at UGX 87,557 billion (approximately 47.5 percent of GDP). Debt service/revenue averaged 34 percent in FY22/23, higher than 30 percent in FY 2021/22, suggesting that debt service is consuming a substantial amount of domestic financial resources and could constrain development expenditure. The increase was largely driven by a 12.4 percent increase in domestic debt and public external debt continued to maintain the dominant share at about 60.0 percent of the total public debt.

1.7 Lending rates (BOU, 2022; 2023)

In the quarter ended February 2022, the weighted average lending rate for the shilling-denominated loans rose to 19.3 percent from 19.0 percent. This rise was primarily driven by commercial banks' concerns about the financial strength of borrowers due to the lingering impact of the COVID-19 pandemic. It is important to note that the credit relief measures had expired for most sectors except education and entertainment. Additionally, the increase was influenced by rate hikes in sectors such as electricity and water, manufacturing, transport and communication, services, mining, and quarrying, as well as building, construction, and real estate.

In the quarter ended May 2022, commercial bank lending rates declined slightly, dropping by 10 basis points to 18.8 percent from 18.9 percent observed in the preceding quarter ended February 2022.

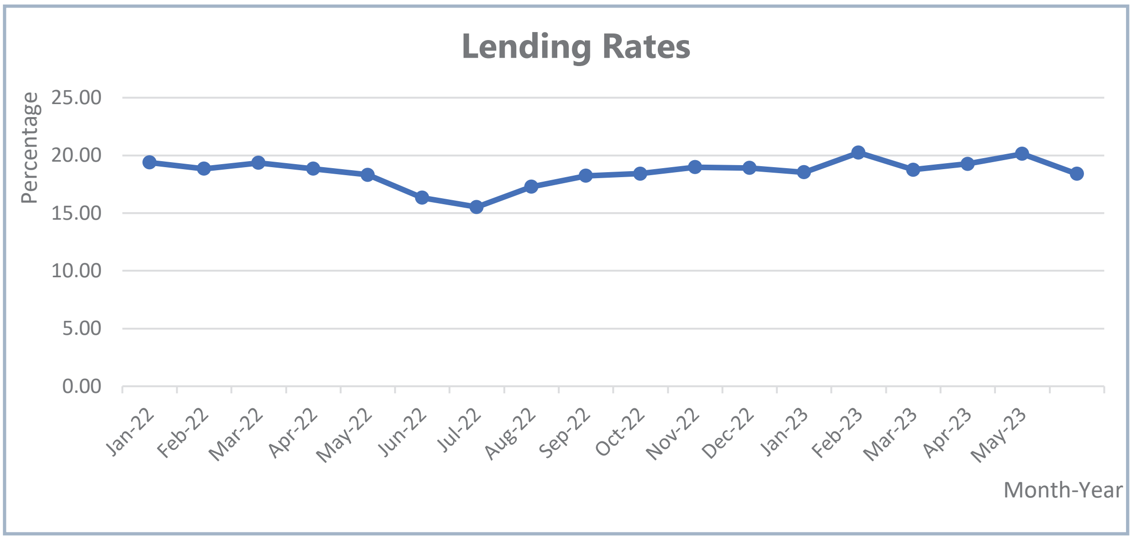
In July 2022, the weighted average lending rate continued its decline, reaching 15.3 percent, down from the 16.3 percent recorded in June 2022. This decrease was influenced by the extension of UGX 299 billion in loans to prime multinational companies at rates lower than 9.5%, whose loan terms were agreed upon before the then period of tight financial conditions. When these prime loans are excluded, the weighted average lending rate increases to 18.1 percent.

In the quarter to October 2022, the weighted average lending interest rates rose to 18.4 percent from 18.2 percent in September 2022 and 16.7 percent in the quarter to July 2022. This upward trend indicated that the impact of the tight monetary policy had permeated from the money market through the securities market to the credit market.

In the three months to March 2023, the weighted average Shilling lending rates increased by 41 basis points to 19.2 percent relative to the months to December 2022 while the weighted average lending rate for foreign exchange denominated loans declined by 30 basis points to 7.7 percent over the same period. Similarly, prime lending rates increased by 12 basis points to 20.5 percent in the quarter to March 2023 compared to the quarter to December 2022. The increases in lending rates were most pronounced in trading related activities while lending rates remained highest in the agriculture and housing sectors.

In the three months to June 2023, the weighted average shilling lending rate increased to 19.27 percent, the lending rate on foreign currency-denominated loans rose to 8.84 percent while the average prime lending rate for commercial banks remained unchanged at 20.5 percent compared to the three months to March 2023. The rise in lending rates was most pronounced in the trade, and transport and communications sectors.

Figure 5: Lending Rates



Source: Bank of Uganda

the working age group in Uganda (14-64 years) has **23.5 million**, an increase from **20.2 million** in 2016/17.

1.8 Employment (UBOS, 2021)

According to the UBOS (2021) National Labour Force Survey, the working age group in Uganda (14-64 years) has 23.5 million, an increase from 20.2 million in 2016/17 and 20.5 million people are working. The majority (51%) are Own-use production workers and 49% are in employment. Agriculture, forestry, and fishing is still the dominant sector, with 6 in 10 of the total workers. The unemployment rate was 12 percent in 2021 while the long-term unemployment (over one year) was 47%.

CHAPTER

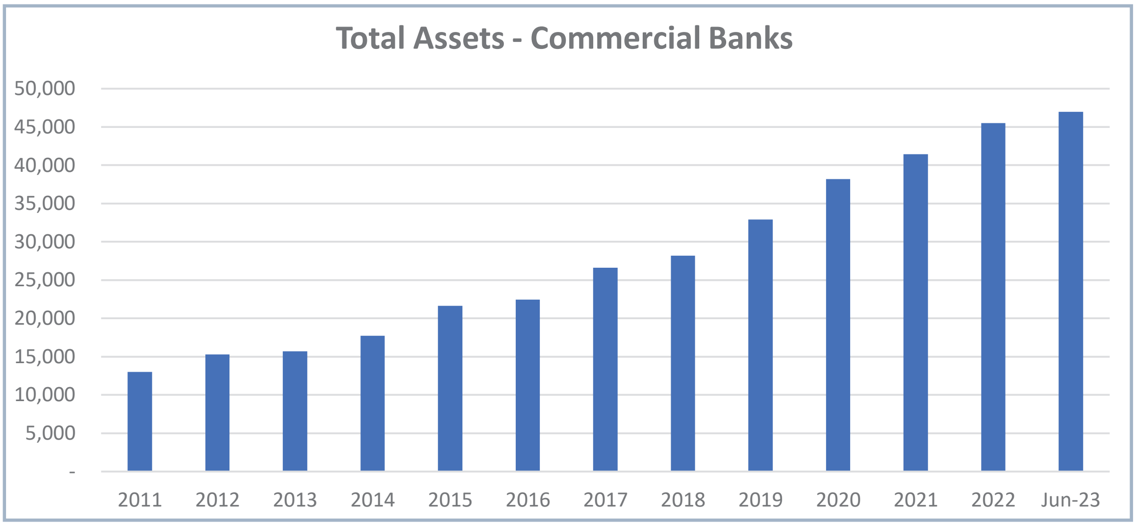
02

Banking Sector Performance

2.1 Total Assets of the Banking Sector

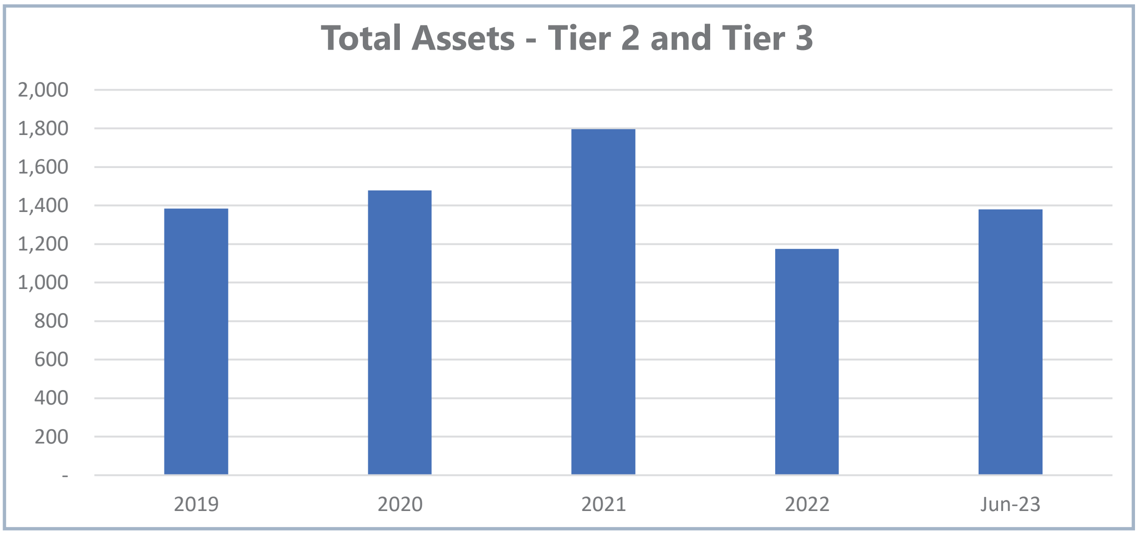
The total commercial bank assets experienced a year-on-year growth of 10%, amounting to Ugandan Shillings 4 trillion, reaching a total of Ugandan Shillings 45.5 trillion as at end December 2022, and Ugandan Shillings 46.97 trillion by the close of June 2023. This expansion was primarily propelled by increases in loans and advances to customers, which saw an 11% growth, as well as a substantial growth of 72% in marketable trading securities. The loans and advances to customers dropped by 2% (Ugx. 328bn) between December 2022 and June 2023, although the investment in marketable trading securities rose by 1% (Ugx. 108bn).

Figure 6: Total Commercial Bank Assets



Total assets held by Tier 2 and Tier 3 financial institutions increased by 6% year-on-year (Ugandan Shillings 70.5 billion) in June 2023.

Figure 7: Total Tier 2 and Tier 3 Assets



Both commercial banks and Tier 2 and Tier 3 financial institutions predominantly hold customer loans and advances as the largest component of their assets. These loans and advances have averaged 43% of total assets for commercial banks and 55% for Tier 2 and Tier 3 financial institutions over the last five (5) years (2018-2022).

Figure 8: Disaggregated Asset Structure for Commercial Banks

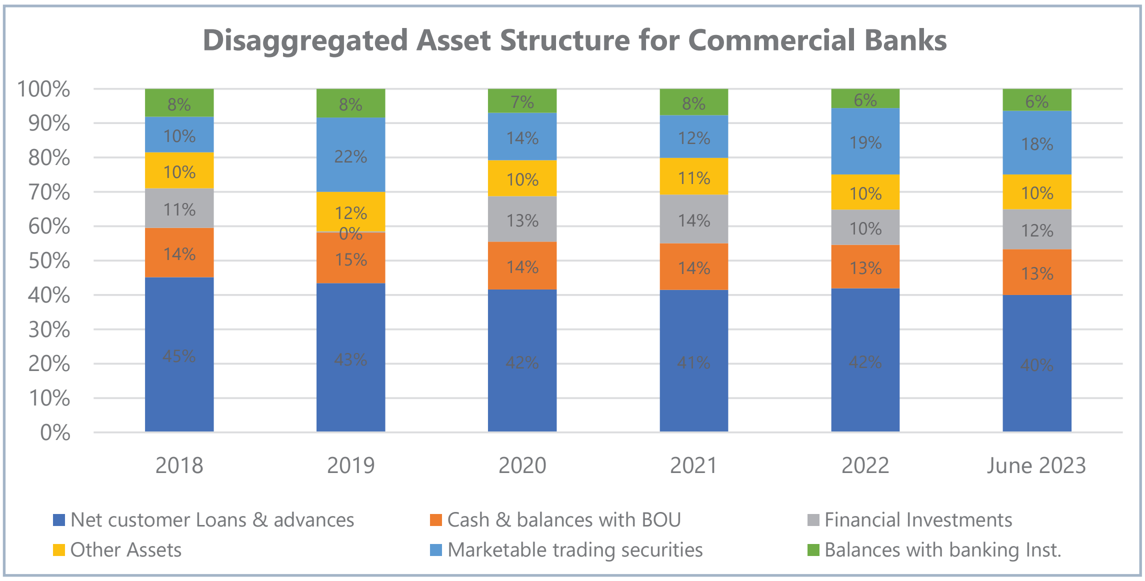
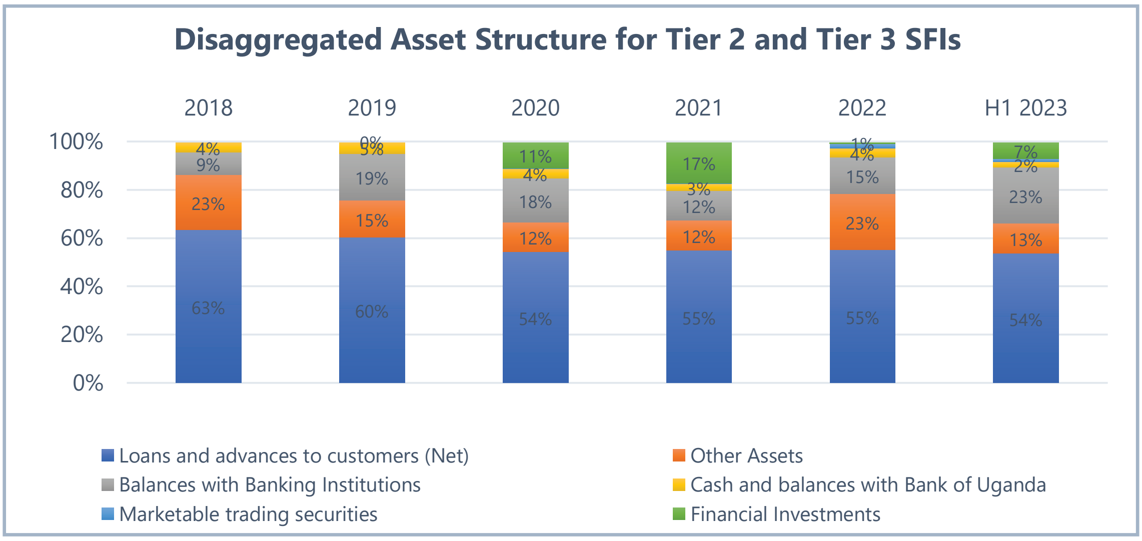


Figure 9: Disaggregated Asset Structure for Tier 2 and Tier 3 Financial Institutions



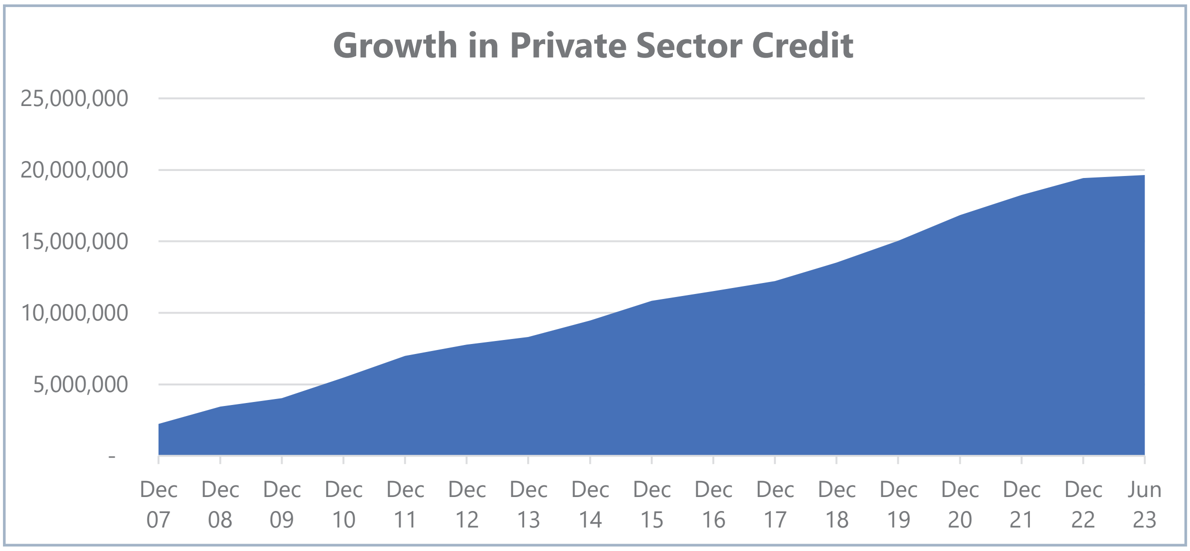
6% (Ugx. 1.2tn)
commercial bank credit growth in 2022

2.2 Banking Sector Credit

Private sector credit

In 2022, commercial bank credit grew by 6% (Ugx. 1.2tn) YoY driven mainly by growth in key sectors including business services (36%), personal and household loans (17%) and manufacturing (20%). Between December 2022 and June 2023, private sector credit grew by 1% (Ugx. 218bn).

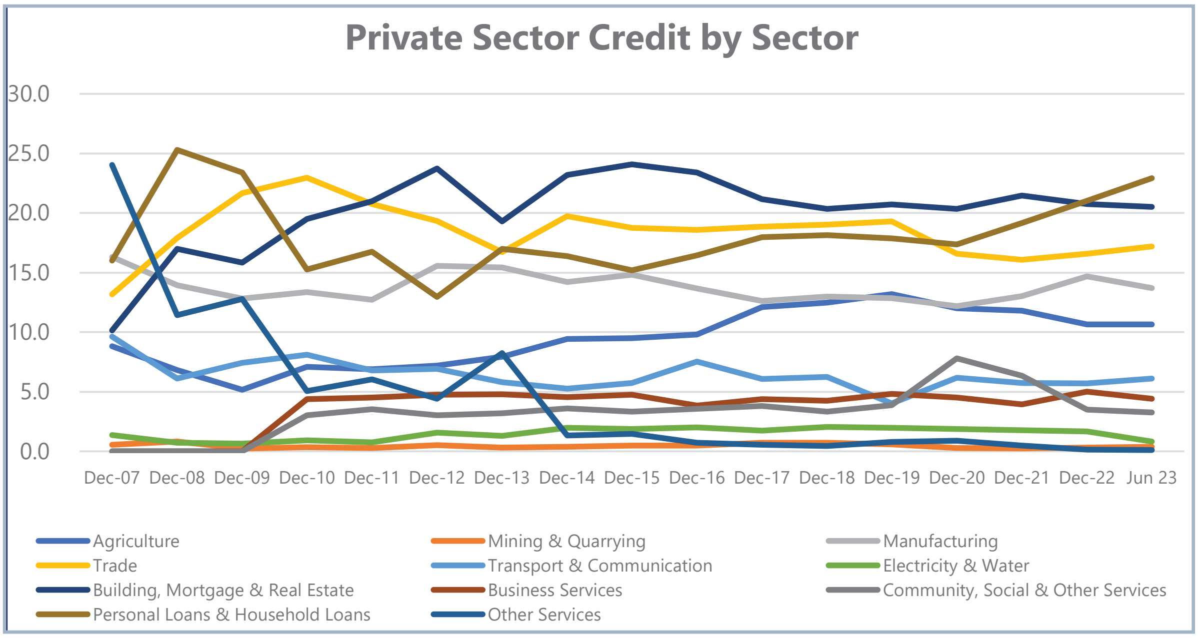
Figure 10: Private Sector Credit Growth



Source: BOU

Between December 2018 and June 2023, credit extended to the private sector in Uganda experienced a significant 45% expansion. Noteworthy sectors that contributed to the growth included business services with a remarkable 69% increase, as well as personal and household loans showing a robust 67% rise. Additionally, sectors like manufacturing witnessed a substantial 63% growth, building, mortgage, construction, and real estate a 51% growth, and community, social and other services sectors also marked notable progress with a 47% increase.

Figure 11: Private Sector Credit by Sector

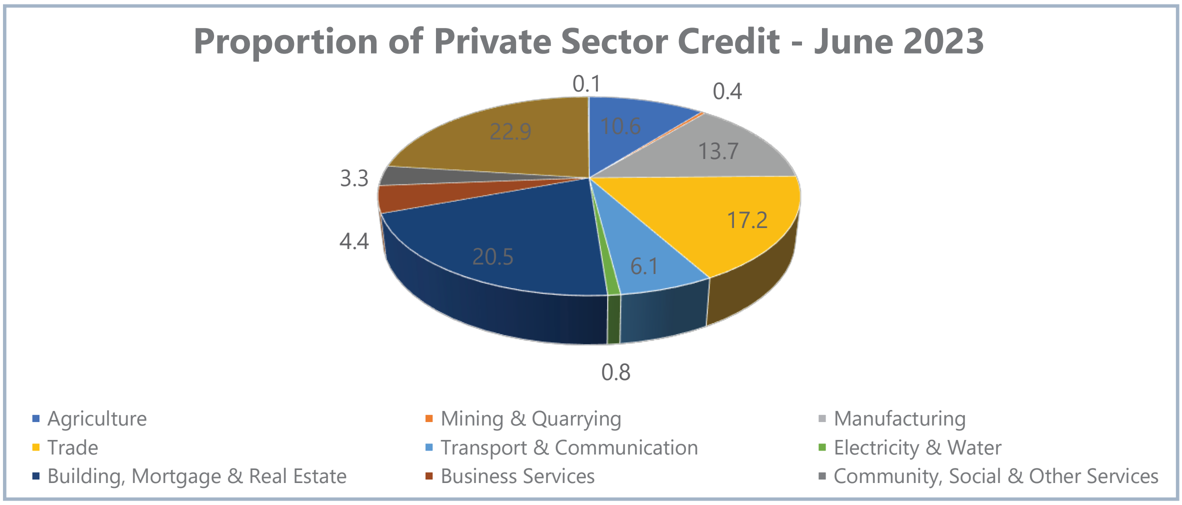


Source: BOU

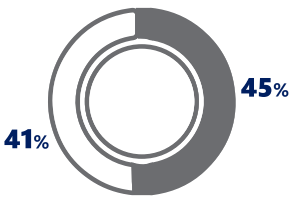
Anticipated in the coming years are noteworthy expansions in sectors like oil and gas, along with the ecosystem and complementary sectors that will bolster downstream activities. This includes areas such as agriculture, transportation and logistics, hospitality services, as well as building, mortgage, construction, and real estate. This growth is especially expected to gain momentum following the final investment decision 2022.

The four key sectors totaling 74.3% of total private sector credit as at end June 2023 included personal and household loans (22.9%), building, mortgage, construction, and Real Estate (20.5%), manufacturing (17.2%) and trade (13.7%).

Figure 12: Private Sector Credit (%) in June 2023



Source: BOU

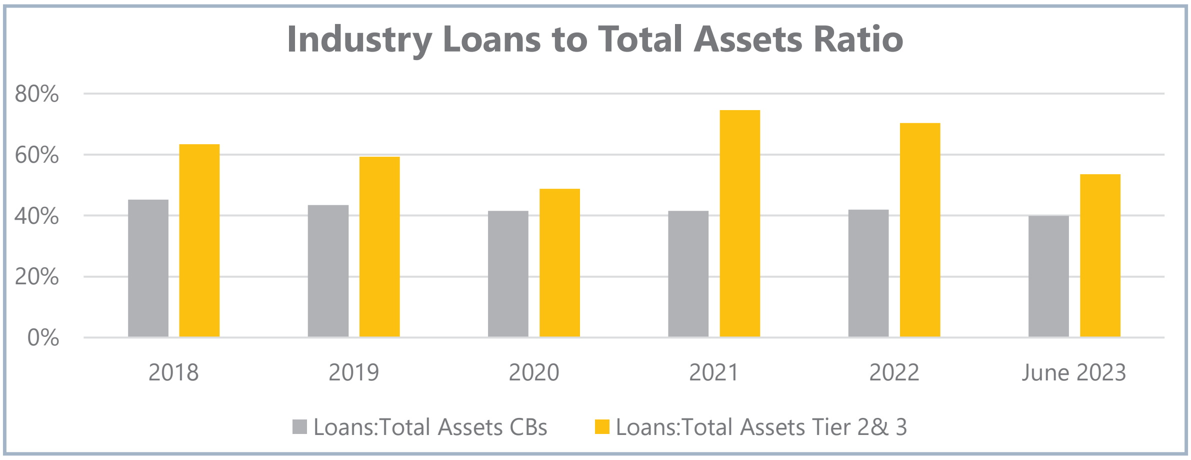


Loan to Asset ratio
41% in 2021 and a high of **45%** in 2018

2.3 Loan to Asset Ratio

The loan to asset ratio, a measure usually applied for financial institutions including banks to measure the relation of the bank's loan portfolio to the total assets, and a critical driver of income generation, has been largely flat for commercial banks for the past 5 years – averaging 43%, with a low of 41% in 2021 and a high of 45% in 2018. For tier 2 and tier 3 financial institutions, there were changes year on year, averaging 62% in the period. Whilst a high loan to asset ratio is not preferable, too low a ratio shows a lower capacity of income generation from the assets of the financial institutions. A 40% industry average shows that the banking industry has the potential and capacity, with its asset capacity and diversified asset portfolio, to meet any unforeseen fund requirements.

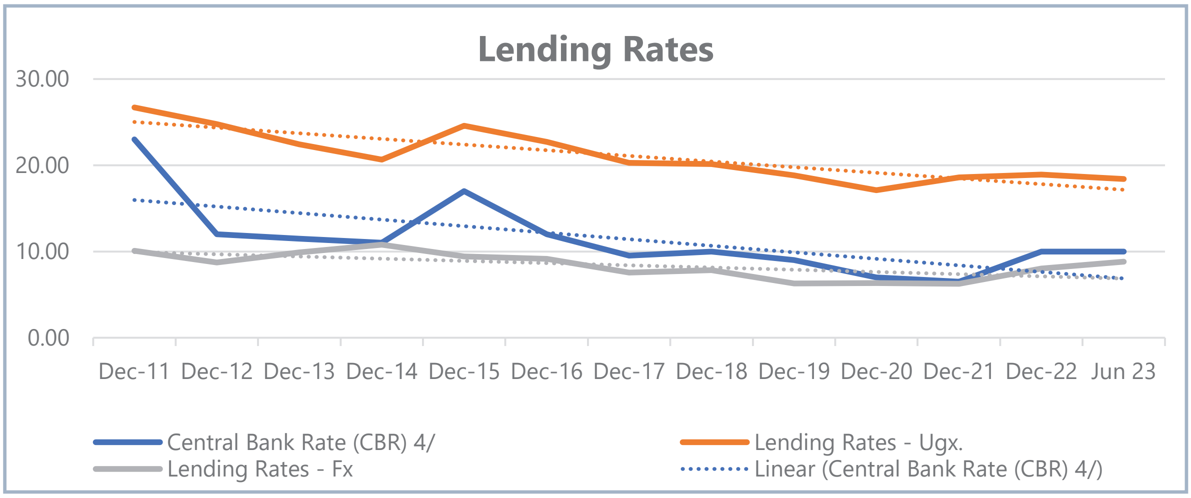
Figure 13: Net Loans to Total Assets Ratio (2018- June 2023)



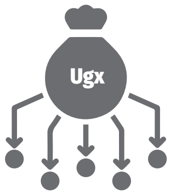
2.4 Banking Sector lending Rates

Over the past 12 years, there has been a downward trend in all lending rates, including the Central Bank Rate (CBR) and the average weighted lending rates for both UGX and the USD, whose average rates have been 11.4%, 21.1% and 8.4% respectively.

Figure 14: Lending Rates



Source: Bank of Uganda



Commercial bank Liability Growth. A total of Ugx 37.1 Trillion in 2022 to Ugx 1.1 Trillion in 2023.

2.5 Total Liabilities of the Banking Sector

The total commercial bank liabilities experienced an average year-on-year growth of 11% over the period of 10 years, reaching a total of Ugandan Shillings 37.1 trillion as at end of December 2022, and growing by 3% (Ugx. 1.1tn) over the subsequent 6 months to June 2023. This expansion was primarily propelled by increases in customer deposits, which saw 12% average growth year on year.

Figure 15: Total Liabilities – Commercial Banks

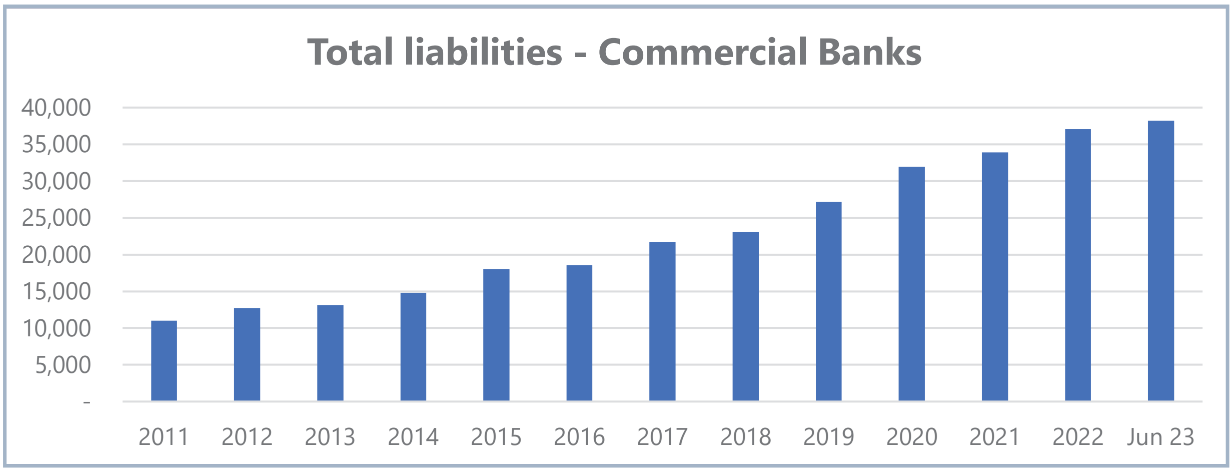


Figure 16: Total Liabilities – Tier 2 and Tier 3 Financial Institutions

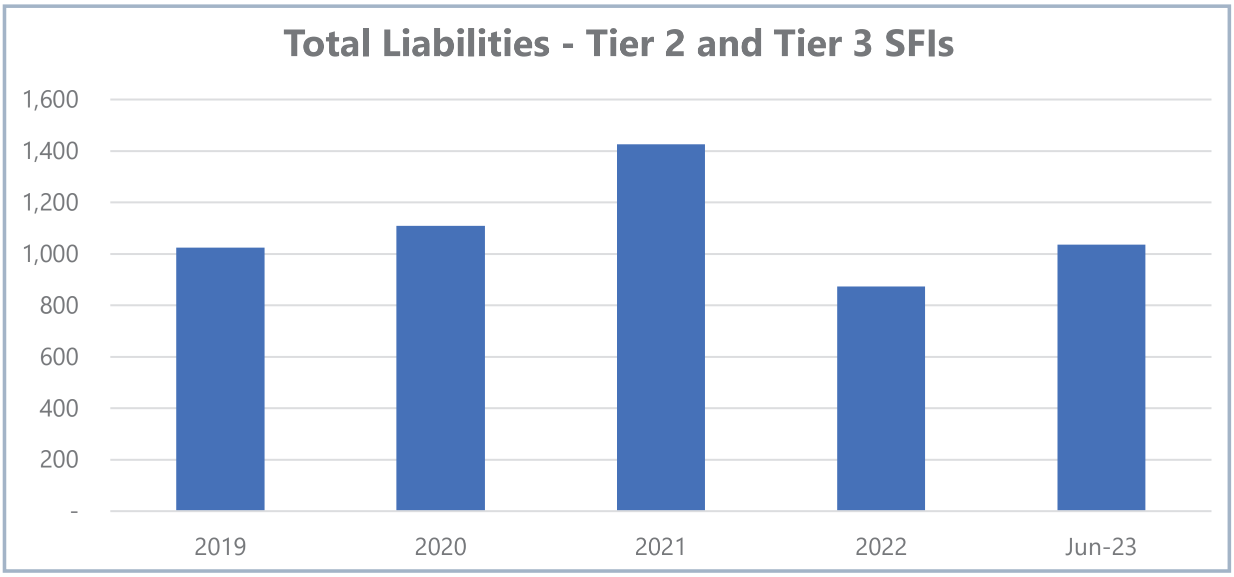


Figure 17: Disaggregated Liabilities for Commercial Banks

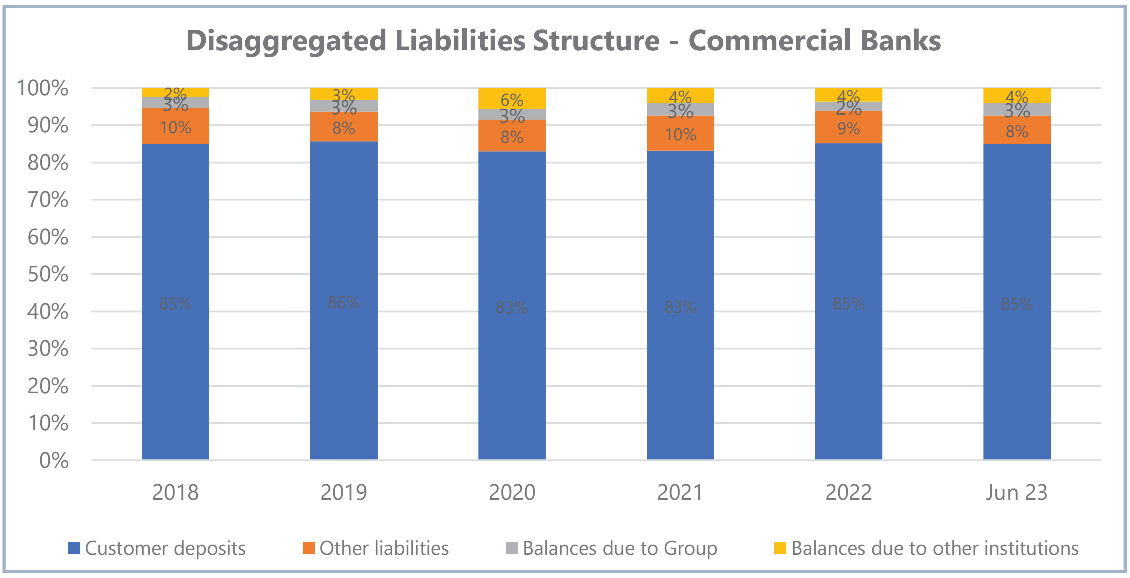


Figure 18: Disaggregated Liabilities Trend - Comercial Banks

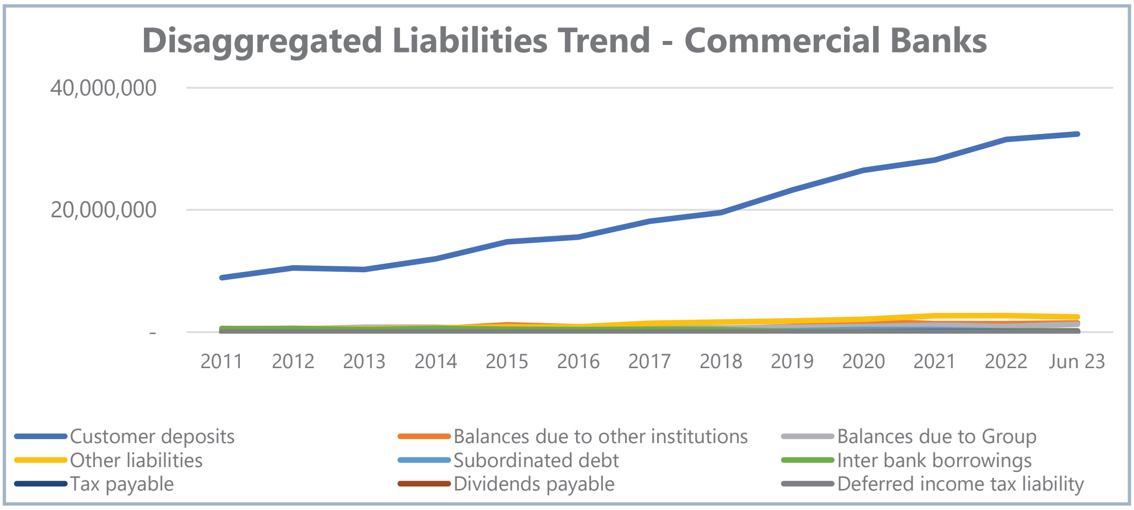
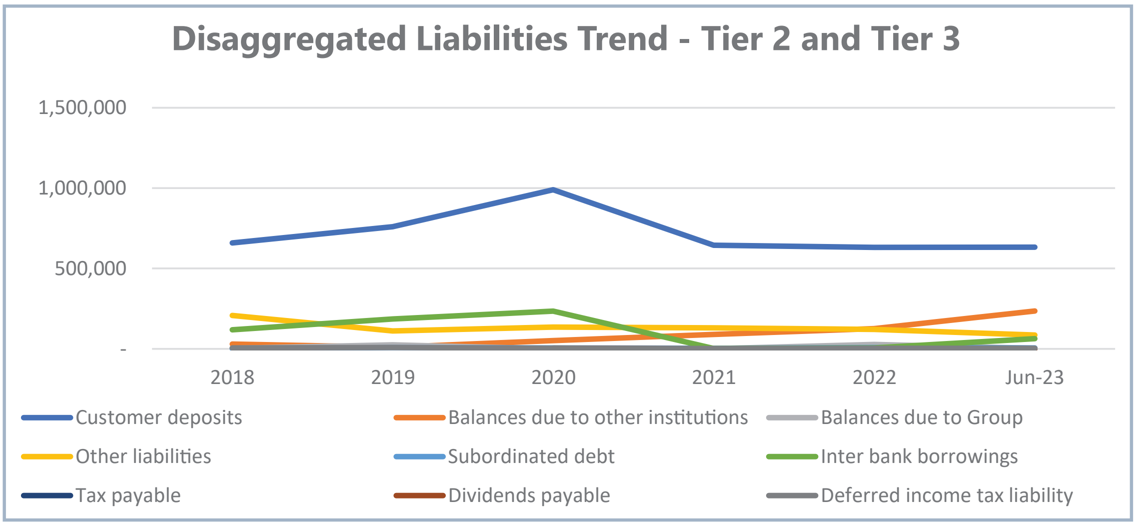
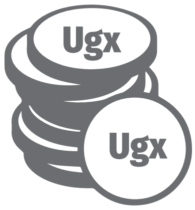


Figure 19: Disaggregated Liabilities Trend - Tier 2 and Tier 3 Financial Institutions





The customer deposits grew by **3% (Ugx. 861bn)** over the subsequent 6 months to June 2023.

2.6 Customer Deposits

Bank deposits serve as the primary avenue for financial institutions to invest, constituting the predominant source of funding for bank credit across diverse segments and sectors of the economy. Through effective deposit accumulation, financial institutions can provide adequate financing for investments of varying tenors across numerous economic sectors. In June 2023, customer deposits accounted for 85% of the entire liabilities of the commercial banks, maintaining an average of 83% over the decade.

By the close of 2022, customer deposits for commercial banks amounted to Ugx. 31.6 trillion, reflecting a YoY growth of 12% (Ugx. 3.4 trillion). The customer deposits then grew by 3% (Ugx. 861bn) over the subsequent 6 months to June 2023.

Tier 2 and Tier 3 financial institutions experienced a year-on-year decrease of 2% in customer deposits, resulting in a final total of Ugandan Shillings 631 billion. Over the span of the four-year period (2019 – 2022), the average growth rate has been 2%. Over the past decade, customer deposits have maintained a consistent growth trajectory, showing an average growth rate of 12.4%.

Notably, this deposit growth has consistently outpaced the growth in customer loans and advances, which has averaged 9.9% per annum.

Figure 20: Deposits and Loans and Advances for Commercial Banks

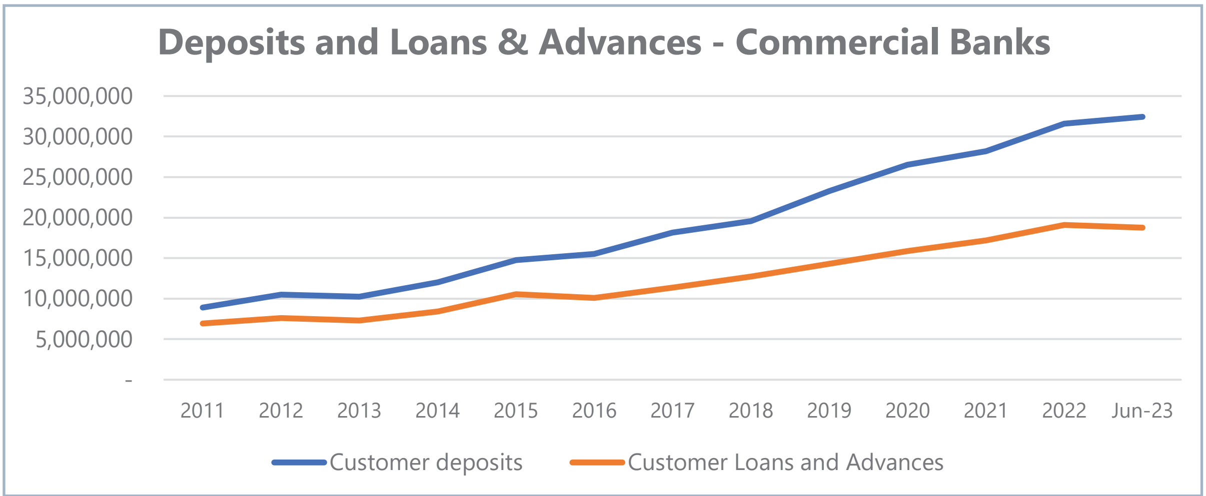


Figure 21: Deposits and Loans and Advances - Tier 2 and Tier 3 Financial Institutions

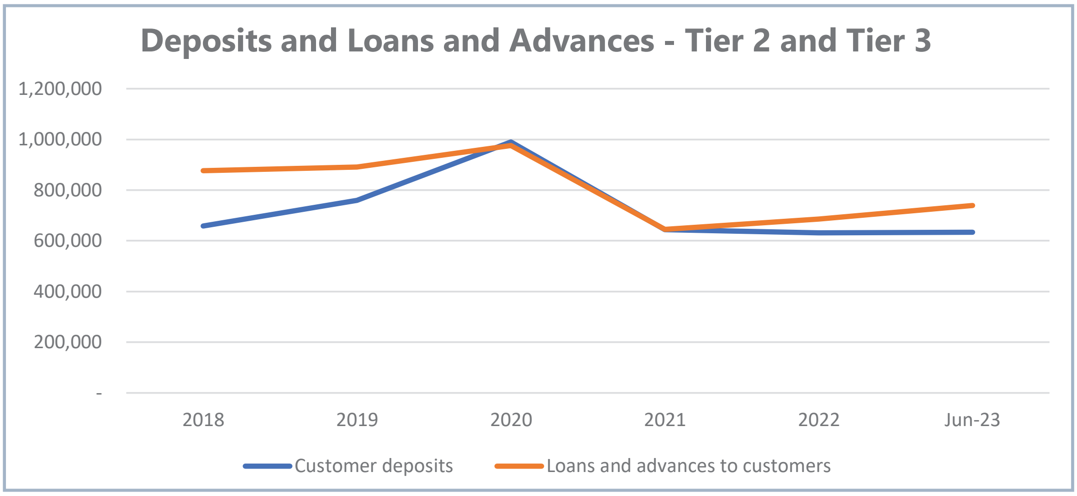


Figure 22: Deposits and Loans & Advances Growth Rates - Commercial Banks

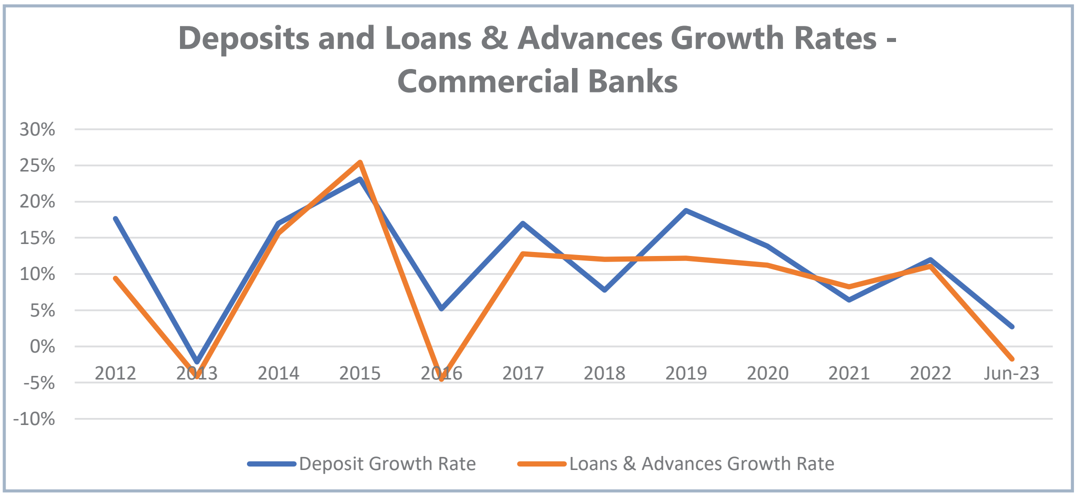
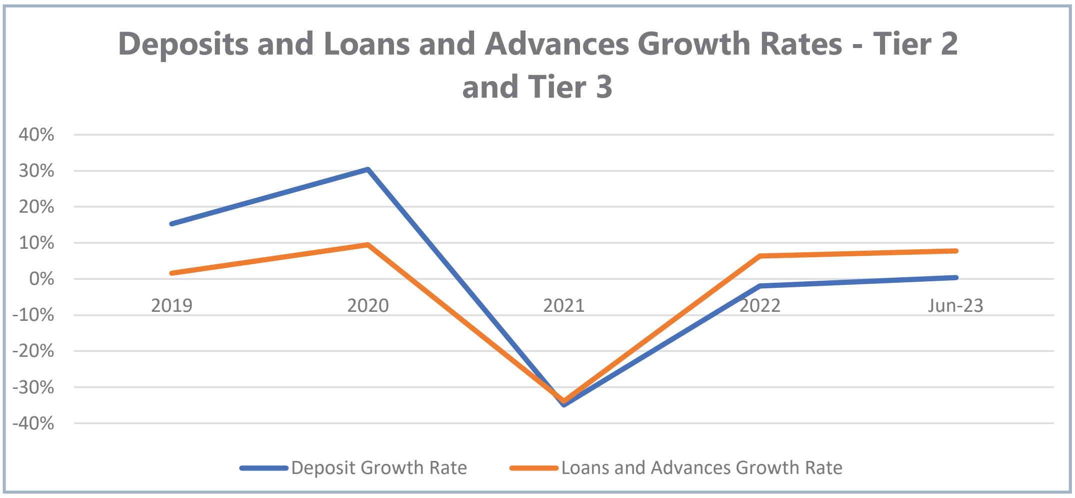
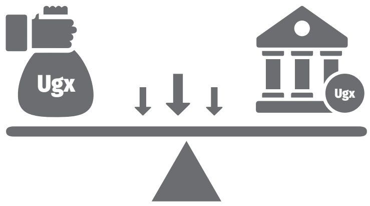


Figure 23: Deposits and Loans & Advances Growth Rates – Tier 2 and Tier 3 SFIs

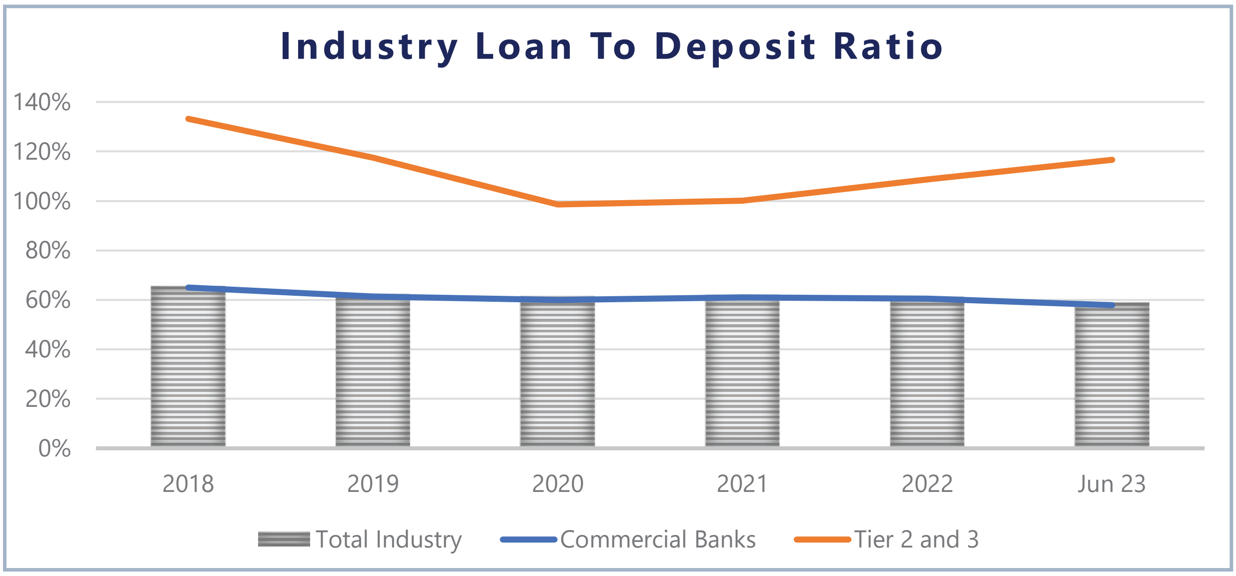




2.7 Loan to Deposit Ratio

The loan to deposit ratio for the commercial banks continued to decline and closed June 2023 at 58%, with a 5-year (2018-2022) average of 61%. Tier 2 and Tier 3 Financial institutions' loan to deposit ratio averaged 112% over a five-year period (2018-2022), and closed 2022 with 109% and June 2023 with 117%.

Figure 24: Industry Loan to Deposit Ratio



In alignment with different strategies, the loan to deposit ratios among various SFIs exhibited significant variation, with the average ratio of 55.9% for commercial banks and 103% for tier 2 and tier 3 financial institutions in 2022.

The commercial banks' 61% average loan to deposit ratio over the period 2018 to June 2023 means that a large amount of liquidity remains idle in the banking sector. There is need to increase liquidity utilization for lending through review of the individual SFI risk appetite despite the challenging macro-economic environment for better industry performance and customer outreach.

CHAPTER 03

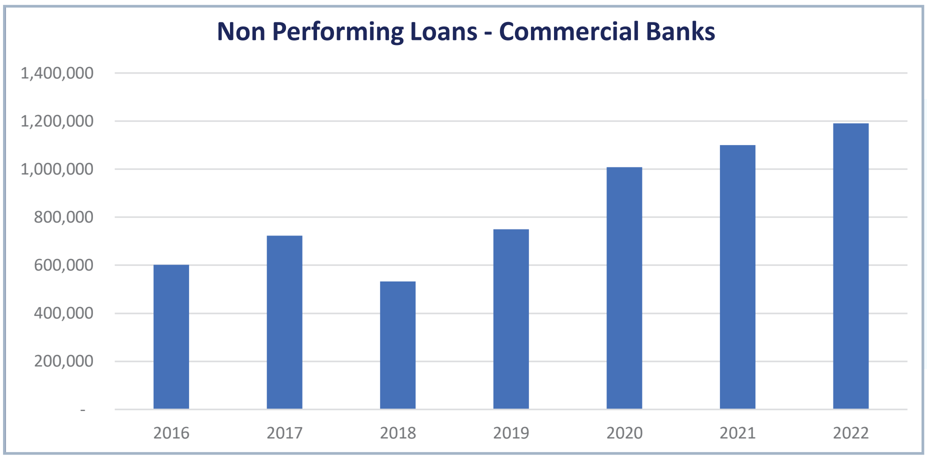
Asset Quality

Non Performing Loans reached at **Ugx. 1.2 trillion** in December 2022

3.1 Non-Performing Loans

By the close of December 2022, Non-Performing Loans within the commercial banking sector had grown by 8% YoY and reached their highest point at Ugx. 1.2 trillion in December 2022. In contrast, the Non-Performing Loans of Tier 2 and Tier 3 financial institutions saw a year-on-year decline of 38%, ultimately settling at Ugx. 34.3 billion. The industry NPLs dropped by 72% between June 2022 and June 2023 (Ugx. 760.5bn).

Figure 25: Non-Performing Loans - Commercial Banks

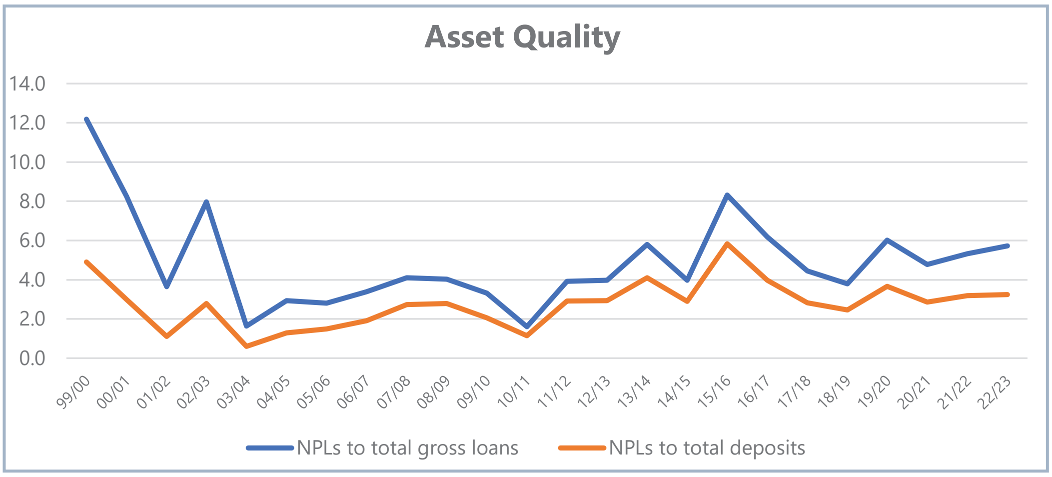


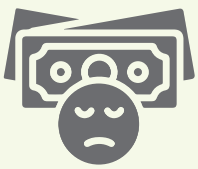
The average NPL growth rate for all commercial banks between 2017 and 2022 was 14%.

3.2 NPLs to Total Gross Loans and Total Deposits

The NPL to total gross loans ratio provides insights into the credit quality and risk exposure of a bank's loan portfolio, risk management practices and overall financial stability. Generally, a NPL to total gross ratio of around 2% to 5% is often considered to be a threshold for "good" asset quality. The NPL to total gross loans for the banking sector averaged 5.7% in FY 2022/23.

Figure 26: Asset Quality





Financial institutions wrote off **Ugx. 31 billion** as bad debts in 2022

3.3 Bad Debts Written Off

A total of Ugx. 1.4 trillion has been written off by commercial banks in the last 5 years (2018-2022), averaging Ugx. 278 billion annually. Tier 2 and Tier 3 financial institutions wrote off Ugx. 31 billion as bad debts in 2022. The average growth of bad debts over the 5-year period (2018-2022) was 6%, which was lower than the growth in the industry's ratio of 9%, escalated by the impact of the COVID-19 pandemic.

Figure 27: Bad debts written off - Commercial Banks

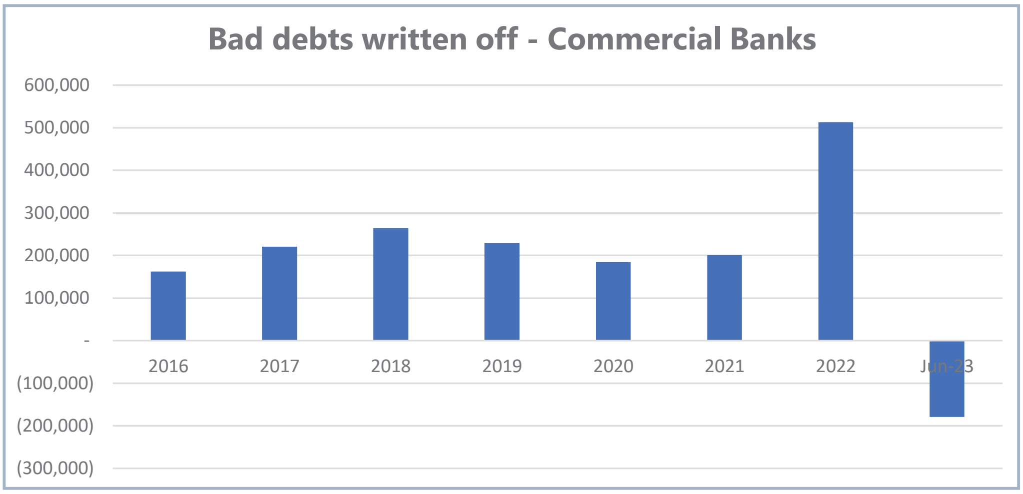
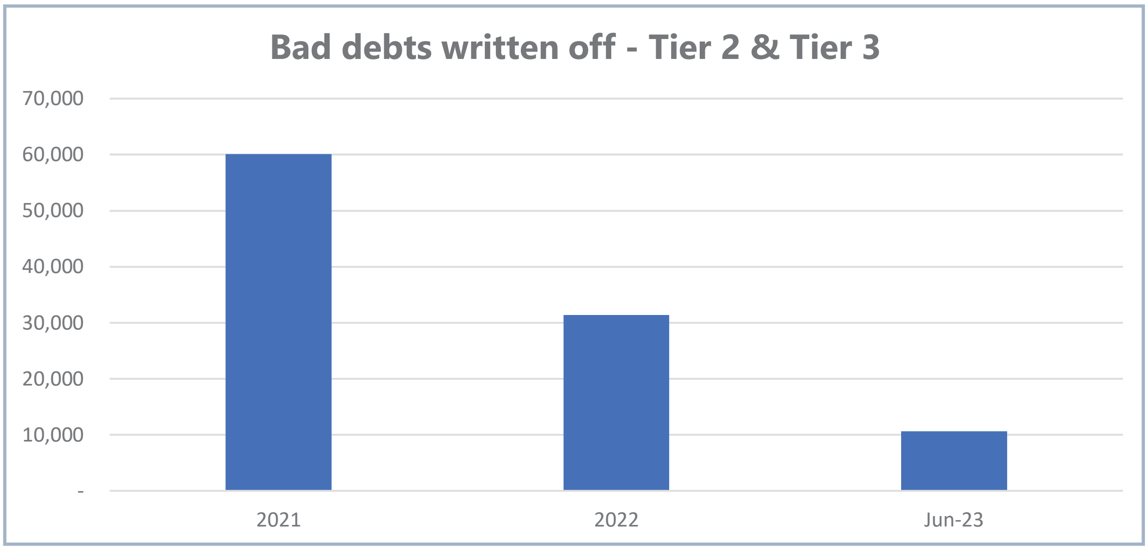


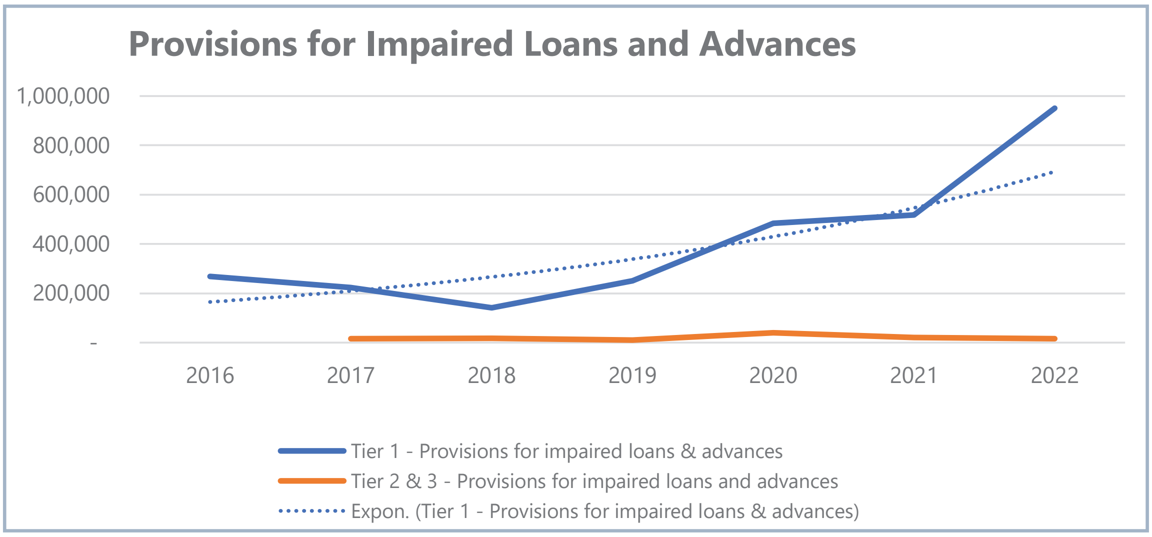
Figure 28: Bad Debts written off - Tier 2 and Tier 3 Financial Institutions



3.4 Provisions for impaired loans and advances

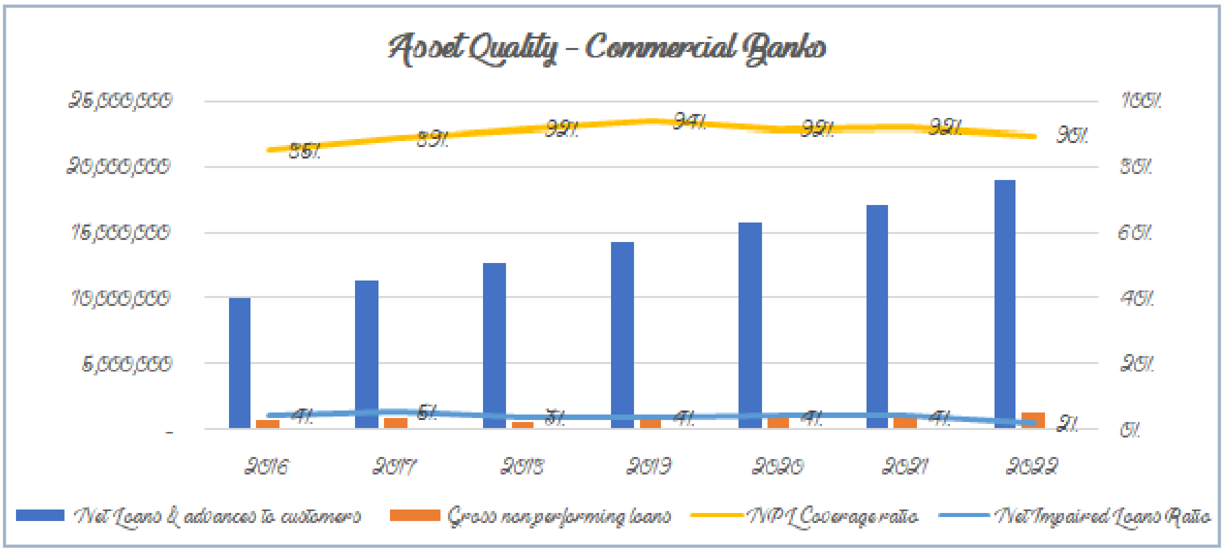
Over the past three years (2020 – 2022), the banking sector incurred costs amounting to Ugx. 1.9 trillion for provisions related to impaired loans and advances. On an annual basis, this averaged around Ugx. 651 billion, mainly attributed to the challenges stemming from the COVID-19 pandemic and the subsequent lagged recovery. The average growth rate of provisions for impaired loans during the same period stands at 61%.

Figure 29: Provisions for Impaired Loans and Advances (2017 – 2022)



Over the course of a six-year duration (2017-2022), the mean NPL coverage ratio for commercial banks stands at 91%, concluding at 90% by the end of 2022. This NPL coverage ratio, nearing 100%, signifies that the commercial banks have on average allocated a substantial portion of provisions in comparison to their total gross non-performing loans. This signifies the sector's robust readiness to absorb potential losses arising from NPLs and reflects a cautious and responsible approach to risk management.

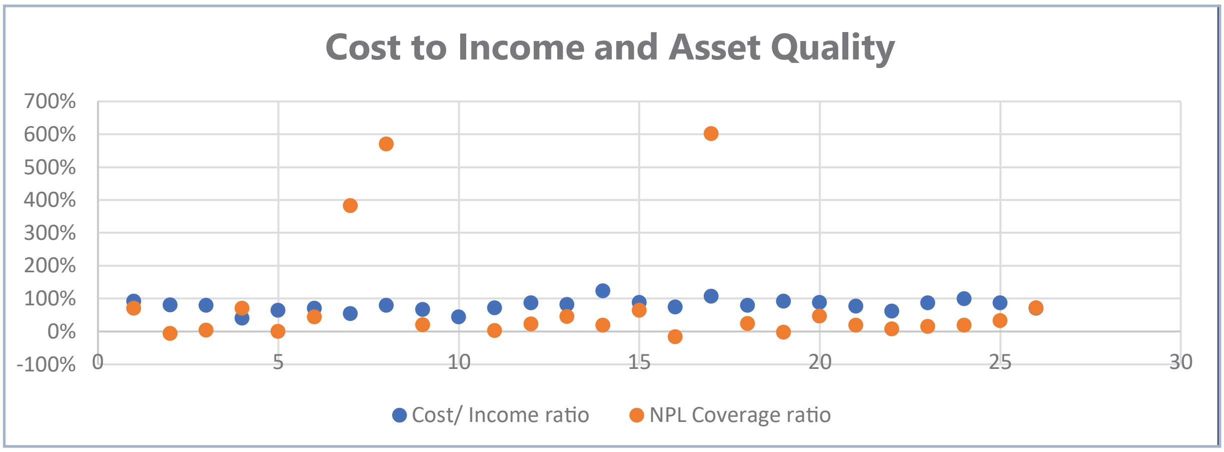
Figure 30: Asset Quality for Commercial Banks



3.5 Cost to Income and Asset Quality

The comparison of the cost to income ratio and the asset quality provides valuable insights into financial health, operational efficiency, and risk management of financial institutions. In the banking sector, the ratio reached 72% in 2022, encompassing varying NPL ratio values by the different member financial institutions in the year, ranging from a low of -16% to a remarkable 602% in the same year.

Figure 31: Cost to Income and Asset Quality



3.6 Capital Adequacy

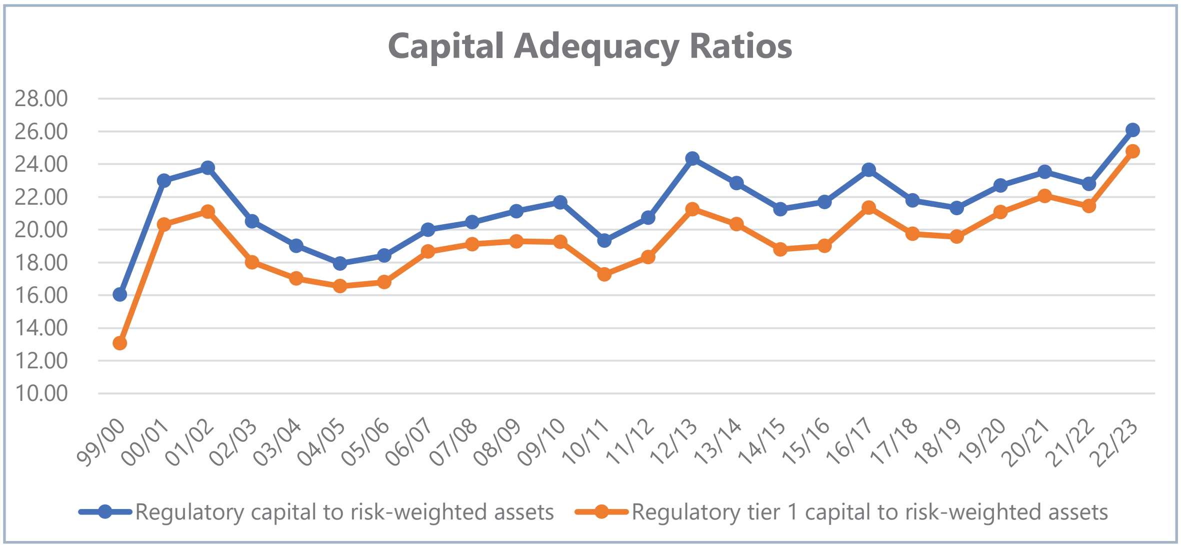
Basel II's first pillar mandates SFIs to uphold a minimum capital adequacy threshold equal to 10.5% of their Risk Weighted Assets (RWA), with 14.5% for commercial banks. Over the past five years, commercial banks have maintained a strong capital adequacy ratio of 21.6%, consistently surpassing their minimum requirement of 14.5%. In today's banking landscape, there is a constant threat of insolvency, and adverse macroeconomic events, leading to higher liquidity and credit risks. The capital adequacy ratio becomes crucial in this context. By maintaining a sufficient capital buffer, commercial banks can continue their regular operations, even in the face of these risks, alleviating concerns of closures and mergers.

Examining an alternative measure of capital adequacy, the total qualifying capital to risk weighted assets, data shows that the industry maintains robust capitalisation. The average ratio for the industry stood at 23.1% over the 5-year period (2018-2022).

Capital Adequacy (%)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Regulatory Guideline
Regulatory capital to risk-weighted assets	22.88	22.22	20.97	19.83	23.18	21.57	21.78	22.15	23.67	23.86	10.50
Regulatory tier 1 capital to risk-weighted assets	19.87	19.68	18.58	17.31	20.93	19.76	20.05	20.55	22.24	22.39	14.50

Source: Bank of Uganda

Figure 32: Capital Adequacy Ratio for the years 99/00 to 22/23



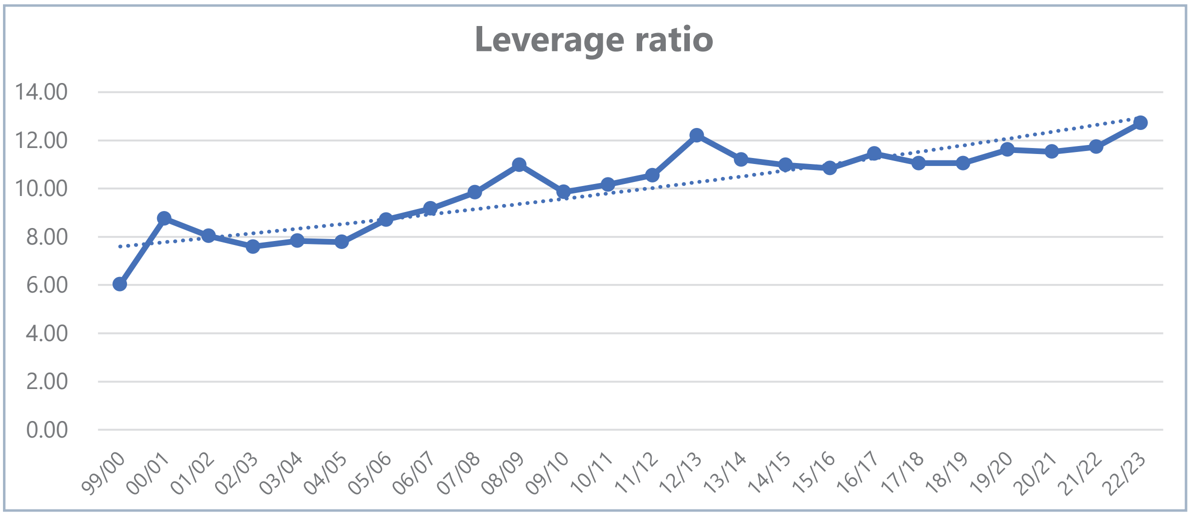
Source: BOU

Regarding risk mitigation strategies aimed at cushioning the balance sheet from shocks, only one commercial bank fell below the regulatory guideline of being above the 500 basis points (bps) buffer. This buffer signifies the banking system's resilience to absorb setbacks and losses without causing widespread systemic disruptions. However, several commercial banks hold excess capital suggesting the less-than-optimal deployment of their resources.

3.7 Leverage

The leverage ratio as a capital adequacy ratio is purposed to ensure that banks maintain a minimum level of capital in relation to their total assets, irrespective of the riskiness of those assets. The leverage ratio for the industry has been trending positively over the last 20 years (2003/04 – 2022/23), averaging 9.8%.

Figure 33: Leverage Ratio for the years 99/00 – 22/23



Source: BOU

CHAPTER

04

Financial Performance

4.1 Trading Income

Over the span of five years (2018 – 2022), commercial banks recorded an average total income of Ugx. 4.7 trillion, with the income for the year 2022 reaching Ugx. 5.8 trillion. The tier 2 and tier 3 financial institutions maintained an average income of Ugx. 369 billion during the same period. Over the past decade (2012 – 2022), the banking industry's growth in income has averaged 9%, with a high YoY growth of 15% in 2019, and a subdued income growth of 5% in 2020.

Figure 34: Trading Income and Growth Rates for Commercial Banks for years 2011 to 2022

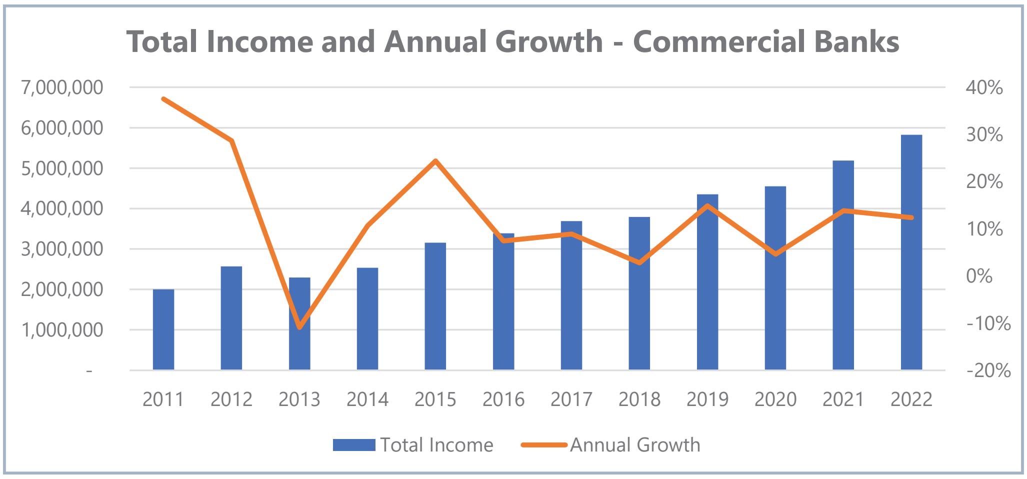
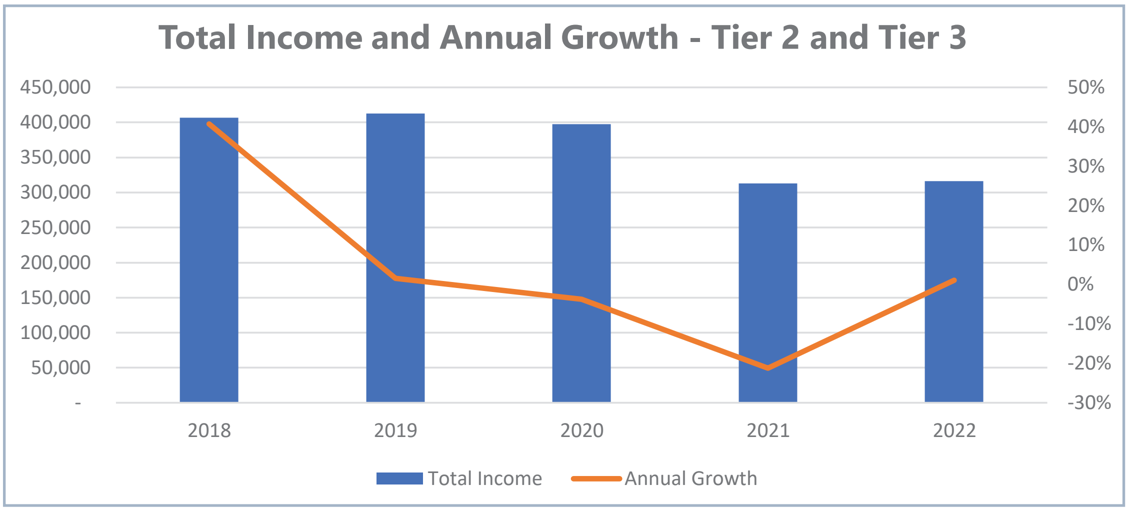
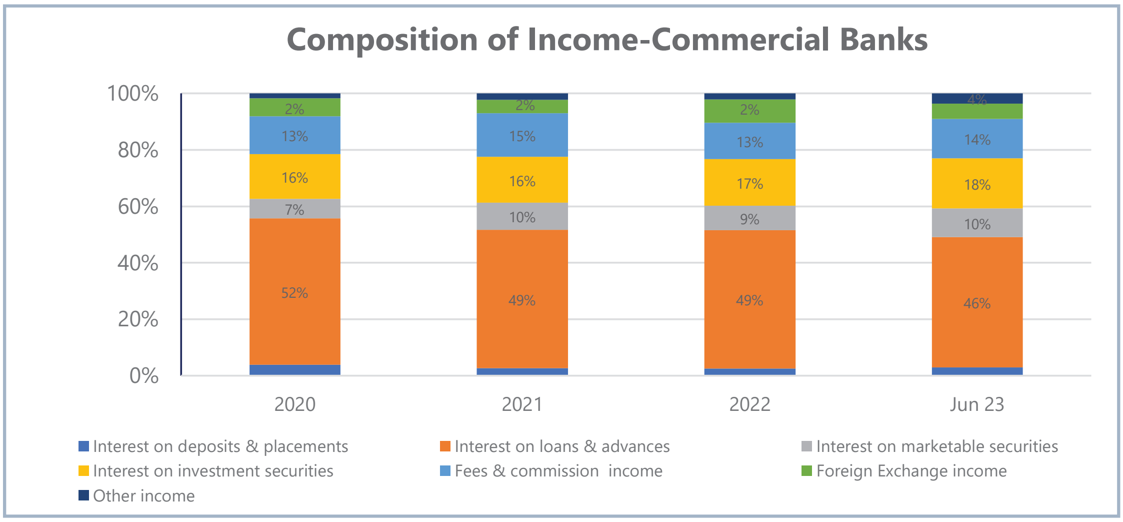


Figure 35: Total Income and Annual Growth - Tier 2 and Tier 3



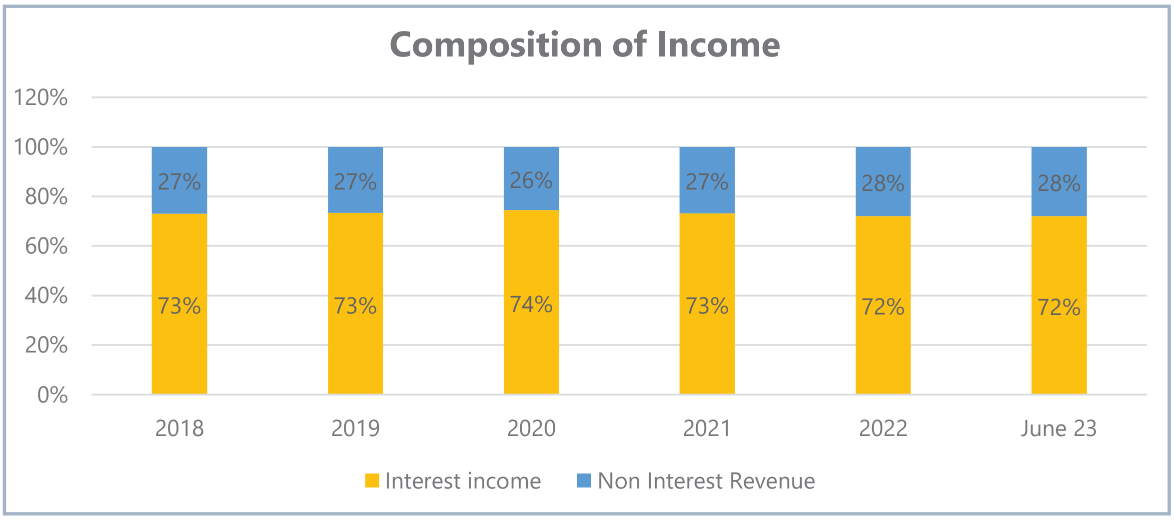
In 2022 and June 2023, the primary revenue stream of commercial banks was derived from interest on loans and advances, with interest on investment securities the subsequent major source of income. The figure below shows the specific categories of income sources for commercial banks.

Figure 36: Composition of Commercial Bank Income



On average, over the last 12 years (2011 – 2022), 74% of the revenue generated by the banking industry stems from interest related sources, as in the figure below.

Figure 37: Composition of of Commercial Bank Income



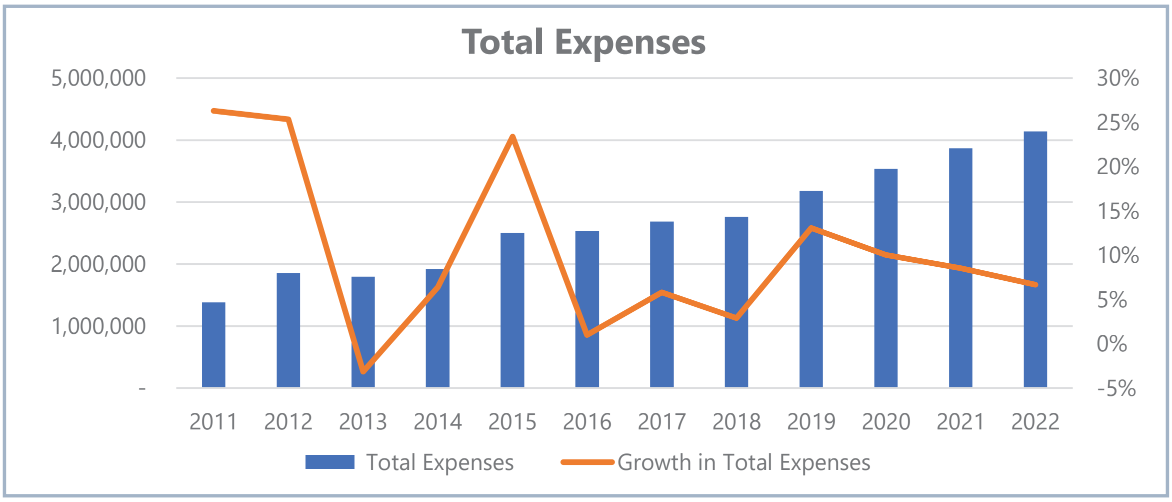
The banking sector should prioritise expansion into alternative revenue streams beyond interest, considering the heightened risks linked to lending, the strain on the banking portfolio due to potential Non-Performing Loans (NPLs), and the growing liquidity within the market.

From **2018-2022** operating expenses accumulated to **Ugx. 17.5 trillion**

4.2 Operating Expenses

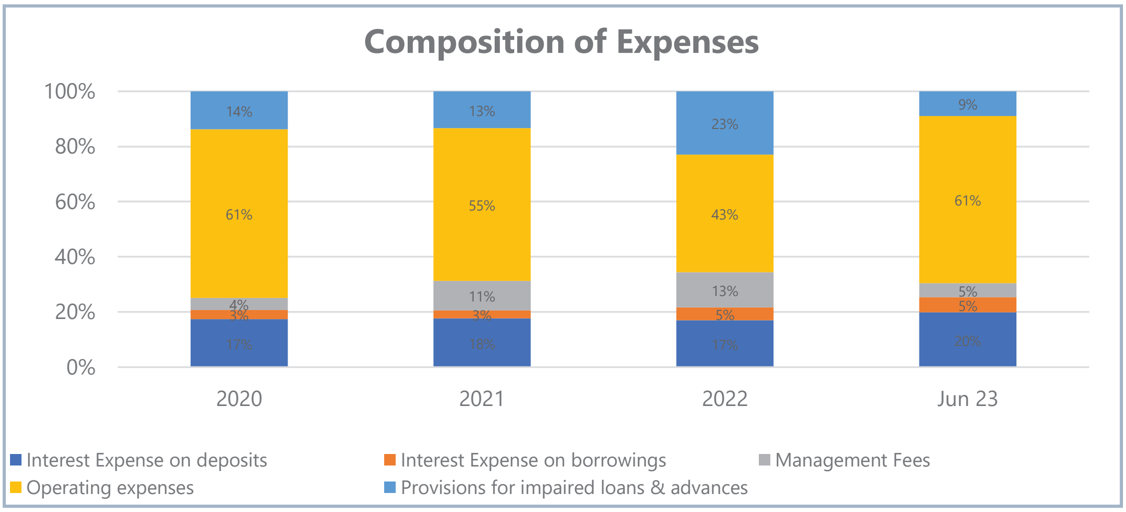
Across the span of five years (2018 – 2022), the banking sector accumulated operating expenses amounting to Ugx. 17.5 trillion. On average, the annual total costs were Ugx. 3.5 trillion. Across the same period, the total costs of commercial banks have shown an average growth of 8%, marked by a notable high year-on-year growth of 13% and a modest low of 3% in 2018 and 2019 respectively.

Figure 38: Operating Expenses for the period 2011 to 2022



During 2022, operating expenses constituted 43% of the overall costs incurred by commercial banks, down from 55% in the preceding year. This increased to 61% in the first half of 2023. The breakdown of expenditure composition between 2021 and June 2023 is shown below.

Figure 39: Composition of Expenses 2020 to June 2023



4.3 Cost to Income Ratio

Cost to income ratio
(2013/14 – 2022/23)
Average **74.9%.**
High **- 81.6%**
Low **- 71.7%**

The cost to assets Ratio (%) is an efficiency metric gauging a bank's operational expenses in proportion to its size or asset portfolio. Although SFIs operate within the same macro-economic landscape and adhere to similar prudential regulations, their cost-to-income ratios vary significantly. Generally, a bank heavily engaged in corporate lending exhibits a lower cost to asset ratio compared to one primarily focused on retail lending. Generally, larger banks tend to exhibit a lower cost-to-income ratio due to the advantages of economies of scale in their operations. However, this is contingent upon strategic choices and losses that may occur in any given accounting year.

The cost to income ratio averaged 74.9% over the past decade (2013/14 – 2022/23), with a high of 81.6% and a low of 71.7% during that period. As at the end of June 2023, the cost-to-income ratio of commercial banks in Uganda was 68.5% while tier 2 and tier 3 financial institutions cost to income ratio was 91.4%.

Figure 40: Cost to Income Ratio for the years 2010/2011 – 2022/2023 for the Banking Sector

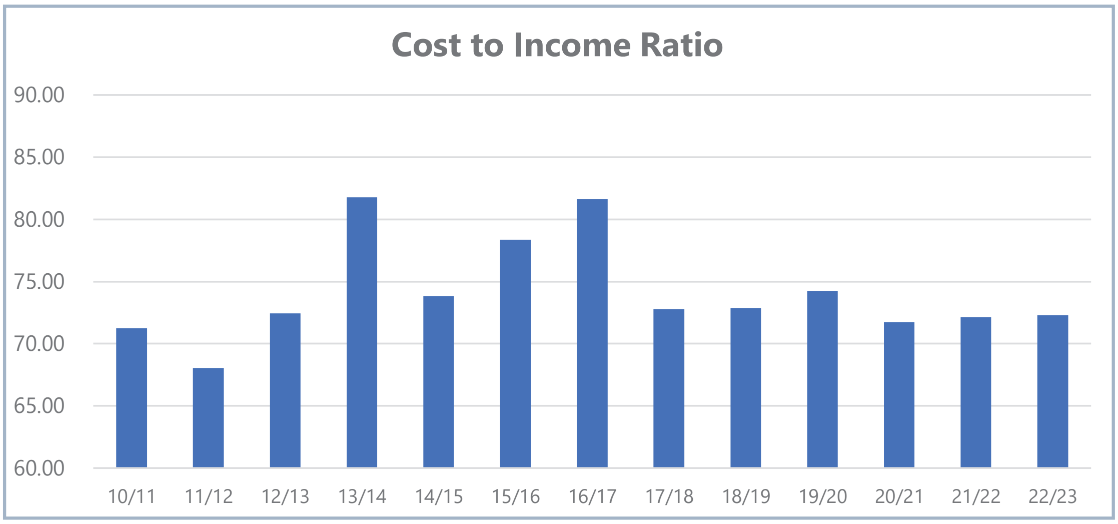
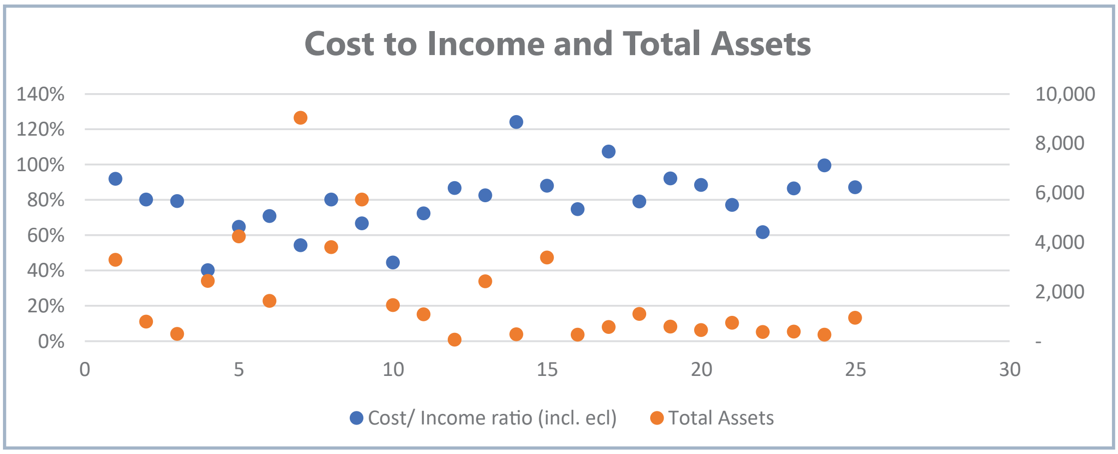
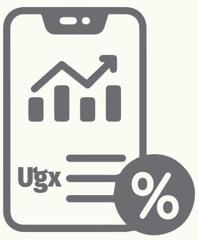


Figure 41: Cost to Income and Total Assets for Individual SFIs

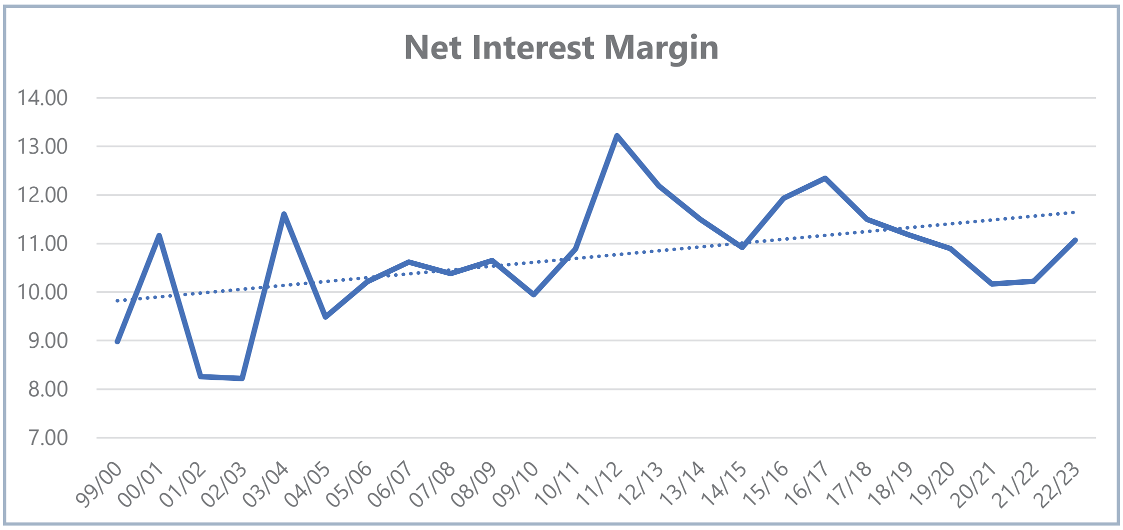




4.4 Net Interest Margin

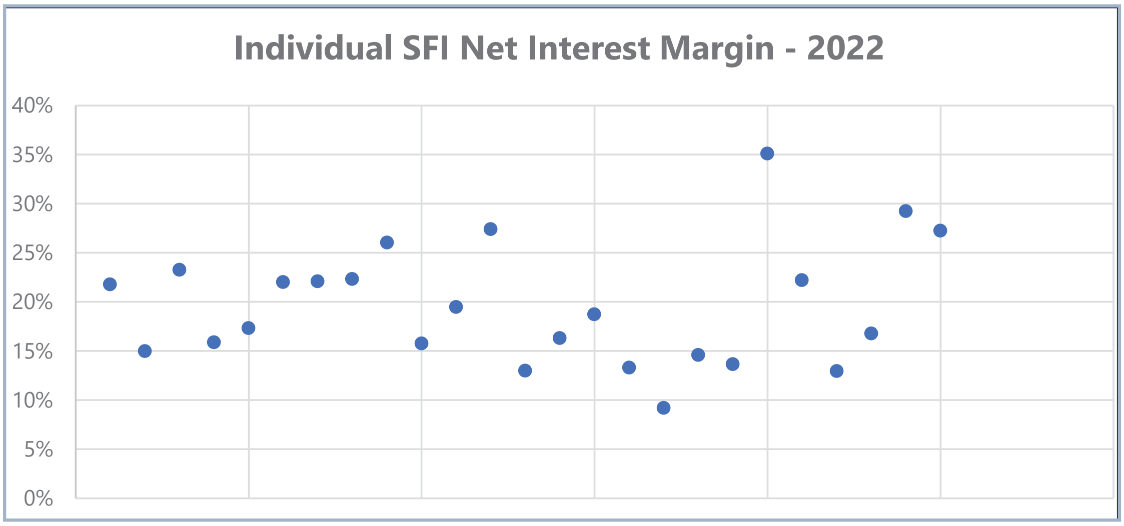
Net interest margin is an important metric for assessing the performance of financial institutions. It reflects a net gain from lending and acts as an indicator of competitiveness. This margin quantifies the disparity between interest income earned by institutions and the interest disbursed to lenders, in relation to their interest-earning assets. A wider margin signifies higher earnings. The net interest margin for the banking sector has been trending positively over the last 22 years (1999/00 – 2022/23), as in the figure below.

Figure 42: Net Interest Margin for the banking sector



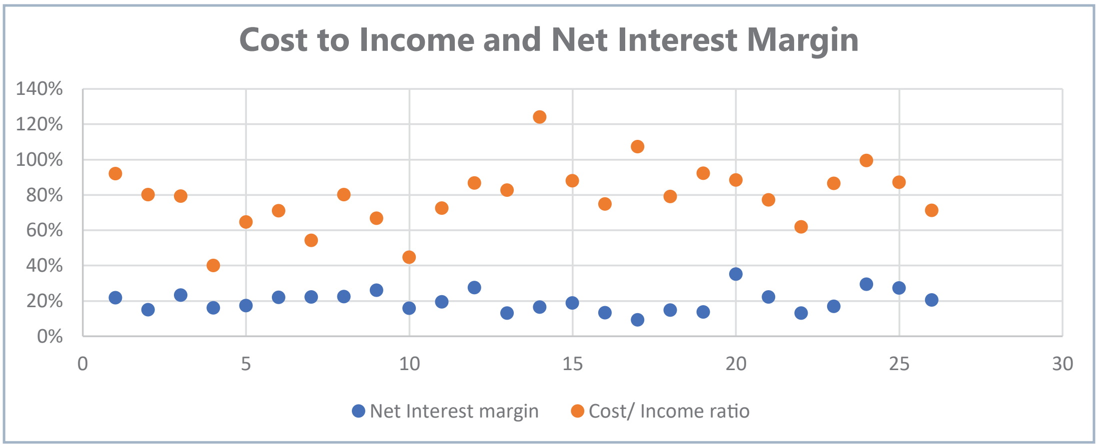
Source: BOU

Figure 43: Individual SFI Net Interest Margin 2022



The comparison of cost-to-income ratio and interest margin offers significant insights into the financial performance and operational efficiency of financial institutions. It allows for an evaluation of their adeptness in cost management and revenue generation from their core operations.

Figure 44: Cost to Income and Net Interest Margin 2022 for Individual SFIs



4.5 Equity to asset ratio (EAR)

The equity to asset ratio illustrates the ownership proportion held by stakeholders within the company and evaluates the overall financial wellbeing and enduring profitability of the business. Over the past decade (2012 – 2022), the sector's average equity to assets ratio has remained relatively constant, averaging 17.5%.

Figure 45: Equity to Total Assets Ratio for 2011 – June 2023

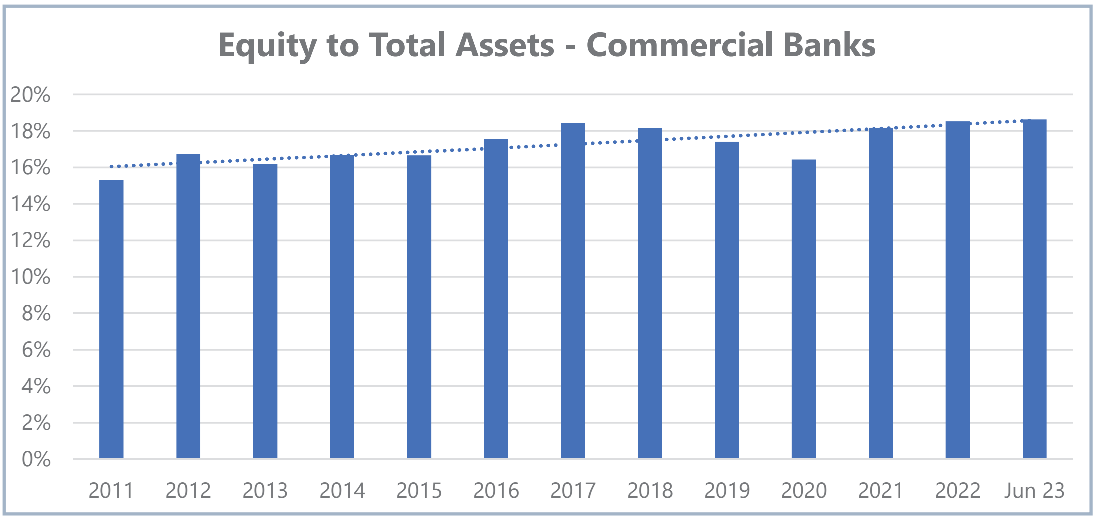


Figure 46: Equity to Total Assets - Tier 2 and Tier 3 Financial Institutions

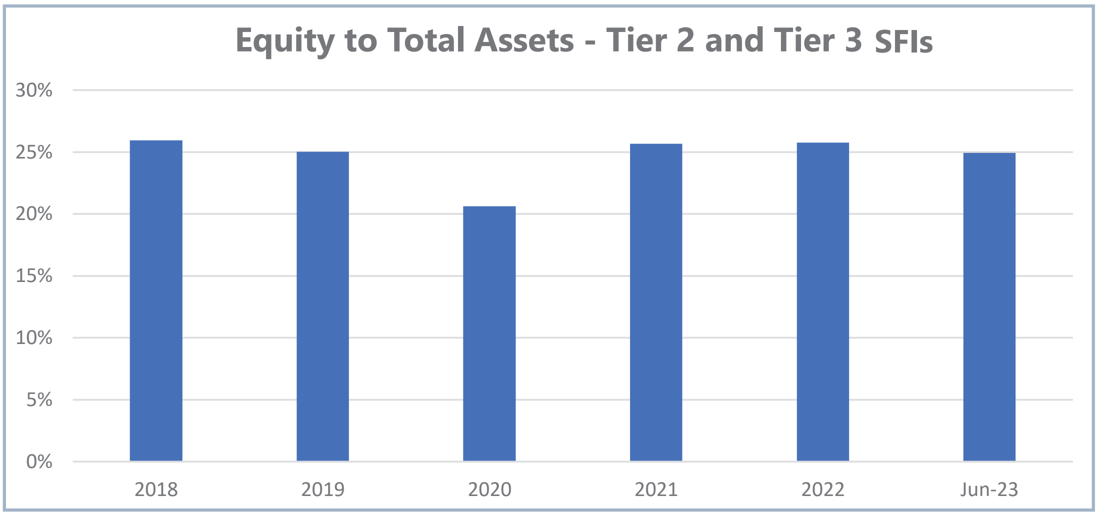
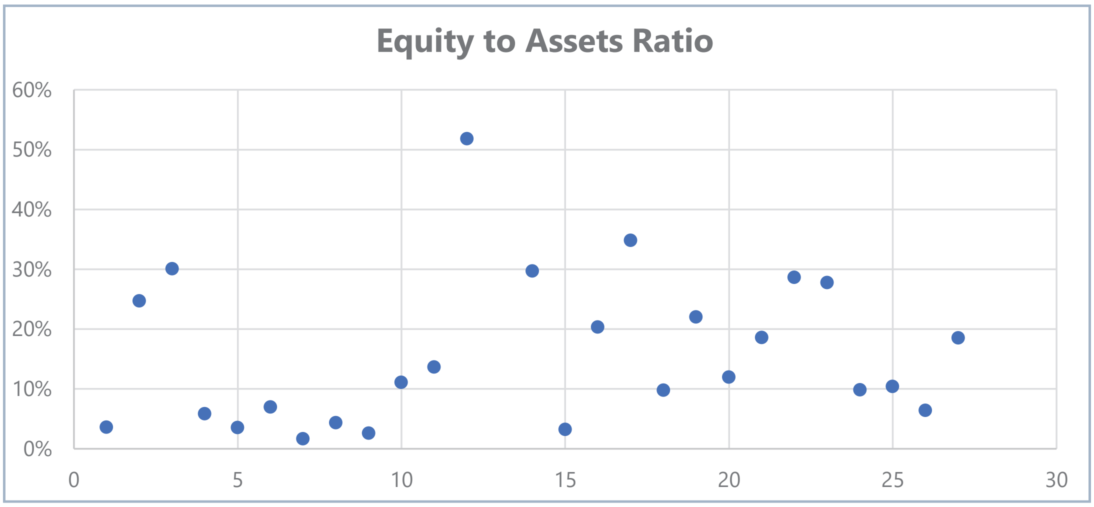
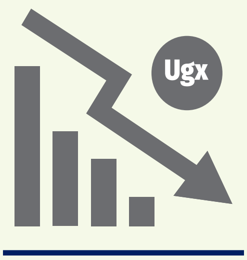


Figure 47: Equity to Total Assets Ratio for Individual SFIs



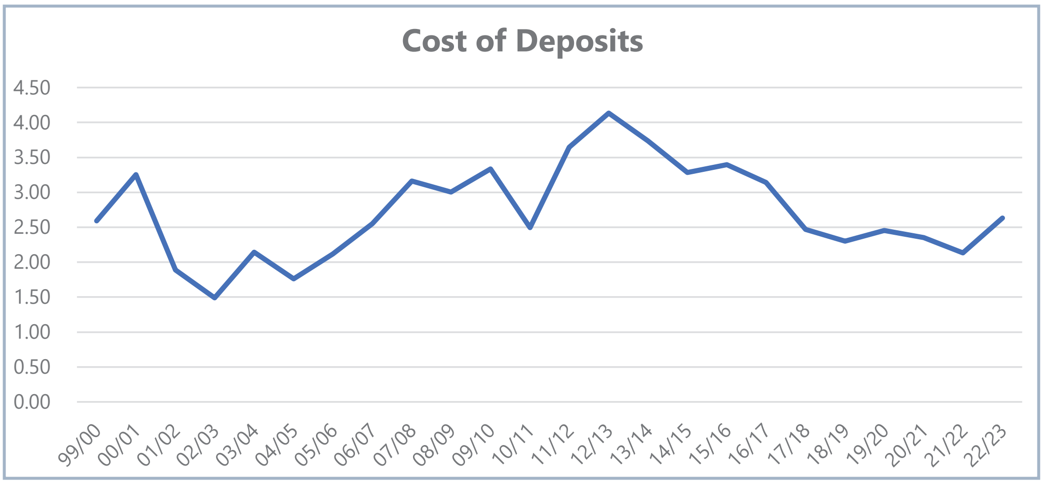


Cost of deposits average decline was **7%** over the last 5 years **(2018/19-2022/23)**

4.6 Cost of Funding

The banking sector cost of deposits declined by 9% year on year, with an average decline of 7% over the last 5 years (2018/19 - 2022/23). This is mainly due to the ability of the commercial banks to mobilise more retail funds, which are cheaper than wholesale funds, through their countrywide branches and agent network.

Figure 48: Cost of Deposits for the Banking Sector



Source: BOU

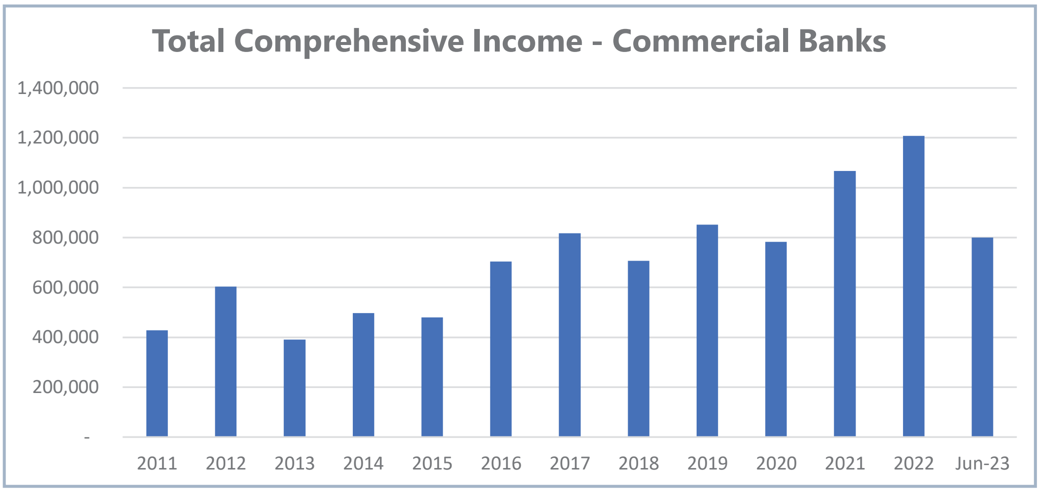
Cumulative profits for 2022 were **Ugx 1.2 trillion**, an increase of 13% **(Ugx. 140 billion)** year on year.

4.7 Profitability

As at the end of 2022, out of the 33 commercial banks and Tier 2 and Tier 3 SFIs, 28 recorded profits, whilst 5 (comprising three commercial banks and two Tier 2 and Tier 3 SFIs) experienced losses. As at the end of June 2023, only 2 commercial banks had posted losses and the top 5 performing commercial banks accounted for 70% of the total industry profits.

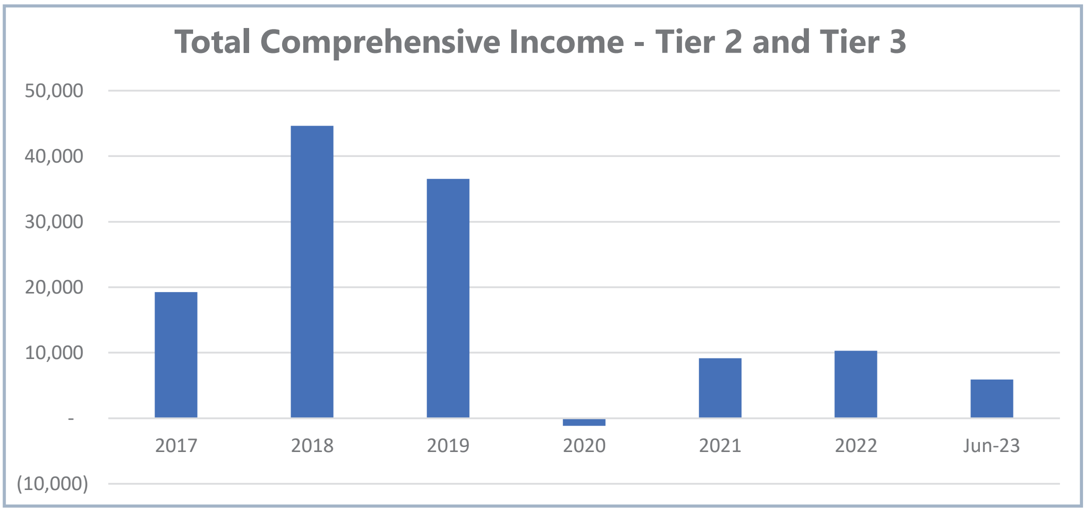
The cumulative profits for the commercial Banks during the year 2022 amounted to Ugx 1.2 trillion, an increase of 13% (Ugx. 140 billion) year on year. This increase primarily stemmed from a notable 12% increase (Ugx. 309 billion) in interest from loans and advances, coupled with a 95% surge (Ugx. 234 billion) in foreign exchange income. However, these gains were offset by a significant 84% rise in provisions for impaired loans and advances, which totaled Ugx. 433 billion year-on-year.

Figure 49: Total Comprehensive Income - Commercial Banks



The profits of commercial banks have been trending positively year on year with an average growth rate of 10% over the last 10 years (2012 – 2022).

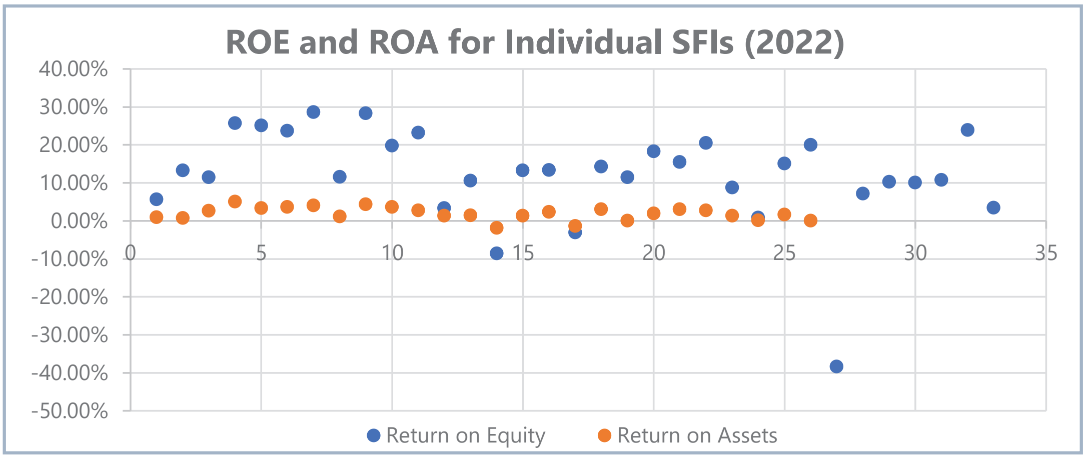
Figure 50: Total Comprehensive Income - Tier 2 and Tier 3 Financial Institutions



4.8 Return on Equity (ROE) and Return on Assets (ROA)

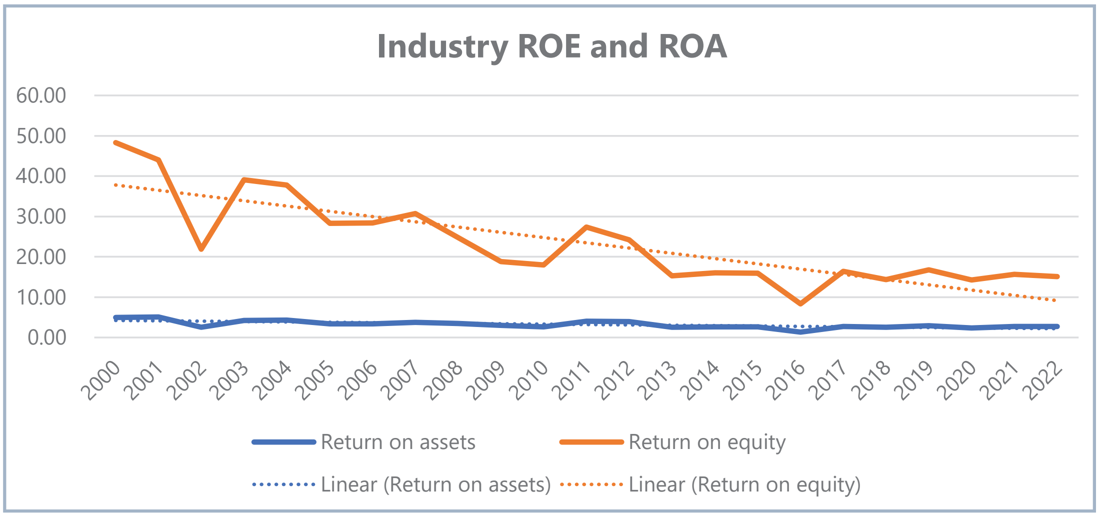
The ROE reflects the relationship between a company's financial structure and its profitability. In 2022, the ROE of the individual SFIs averaged 12%, with the sector ROE closing at 19.9%. However, there was substantial divergence, with a high of 28% and a low of -38%.

Figure 51: Return on Equity and Return on Assets for Individual SFIs (2022)



The banking sector's ROE has shown a consistent decline over the past 22 years (2000 – 2022) averaging 23.5%, with a high of 48.3% in 2000 and a low of 14.3% in 2020. Simultaneously, the ROA has been largely flat during the same period, averaging 3.2%. In the context of tier 2 and tier 3 financial institutions for the year 2022, the ROE and ROA stood at 3.2% and 0.8%, respectively.

Figure 52: Banking Industry Return on Equity and Return on Assets



Source: Bank of Uganda

There is a direct relationship between bank size and its efficiency and performance as reflected by the ROE - with larger banks returning better efficiency ratios than the smaller financial institutions.

CHAPTER

05

Financial Inclusion

Financial inclusion encompasses individuals and businesses having affordable and useful financial products and services such as payments, savings, credit, and insurance, delivered conveniently and sustainably.

According to FinScope study **2018, 78% (14.4 million)** of Ugandan adults are being financially served

5.1 Access to Financial Services

Access to financial services in Uganda has significantly improved in recent years. According to the FinScope study 2018, 78% (14.4 million) of Ugandan adults are being financially served, either formally or informally, whilst 22% (4.2 million) remain financially excluded. This indicated progress compared to 70% in 2013 and 57% in 2006.

5.2 Financial Inclusion Score Card

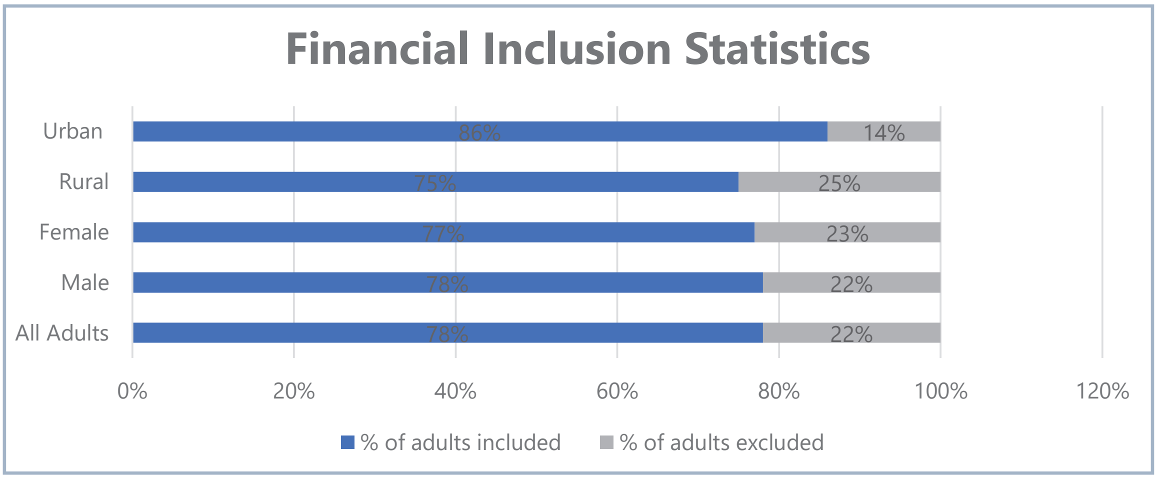
The main purpose of having a banking industry financial inclusion score card is to assess, track and ultimately report on the progress of financial inclusion initiatives within the banking sector. The scorecard serves as a comprehensive tool to measure the effectiveness of the various efforts undertaken by the banking sector to provide affordable, accessible and high-quality financial services to the underserved and marginalized populations.

Table 1: Financial Inclusion Score Card

Key Deliverables	Key Metrics and Indicators
Improving Access to Financial Services	(i) Number of digital channels available. (ii) Number and spread of branches. (iii) Number and spread of ATMs. (iv) Number and spread of agent location. (v) Number of accounts (active, inactive & dormant). (vi) Number of customers. (vii) Points Of Sale (POS) devices in both urban and rural areas.
Increasing Utilization of Financial Services	(i) Total Loans & advances disbursed. (ii) Government bonds and bills issued. (iii) Number, volume, and type of card transactions (iv) Number, volume, and type of digital transactions (v) Volume of assets (vi) Volume of liabilities (vii) Average savings accounts balances (viii) Average transactional account balances

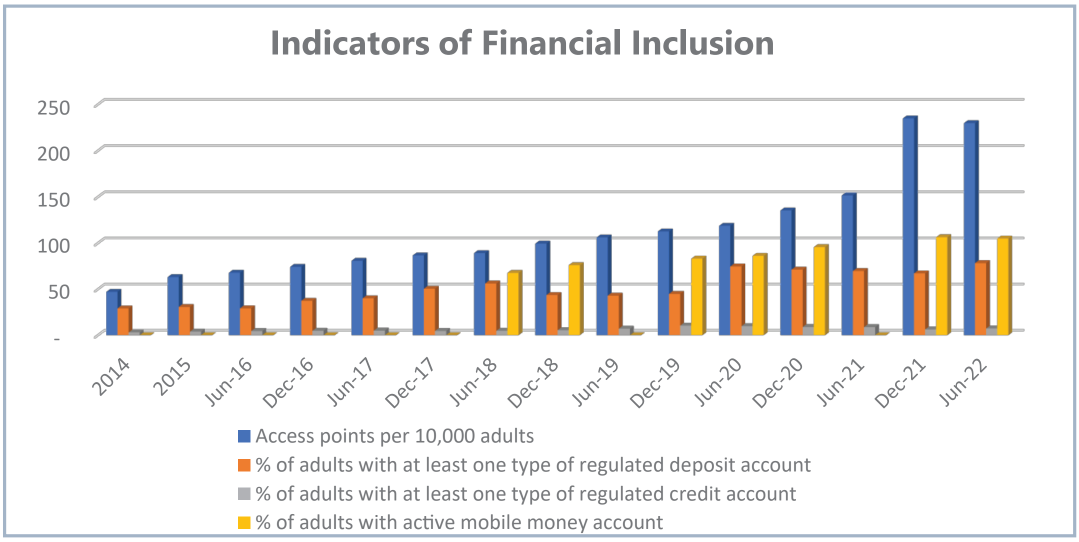
5.3 Financial Inclusion Statistics

Figure 53: Financial Inclusion Statistics in Uganda



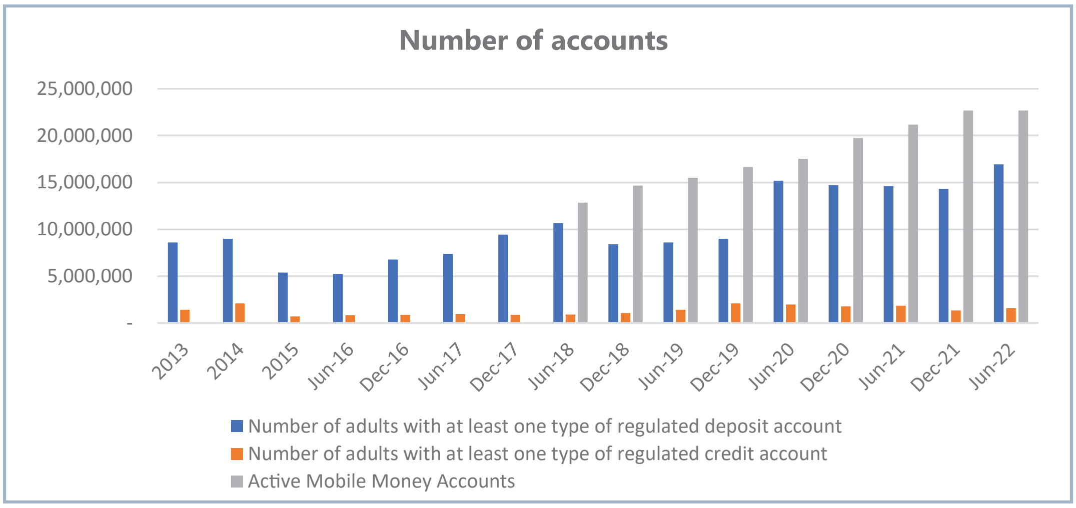
Source: Finscope Uganda 2018

Figure 54: Indicators of Financial Inclusion in Uganda

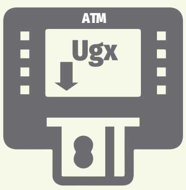


Source: Bank of Uganda

Figure 55: Number of Accounts



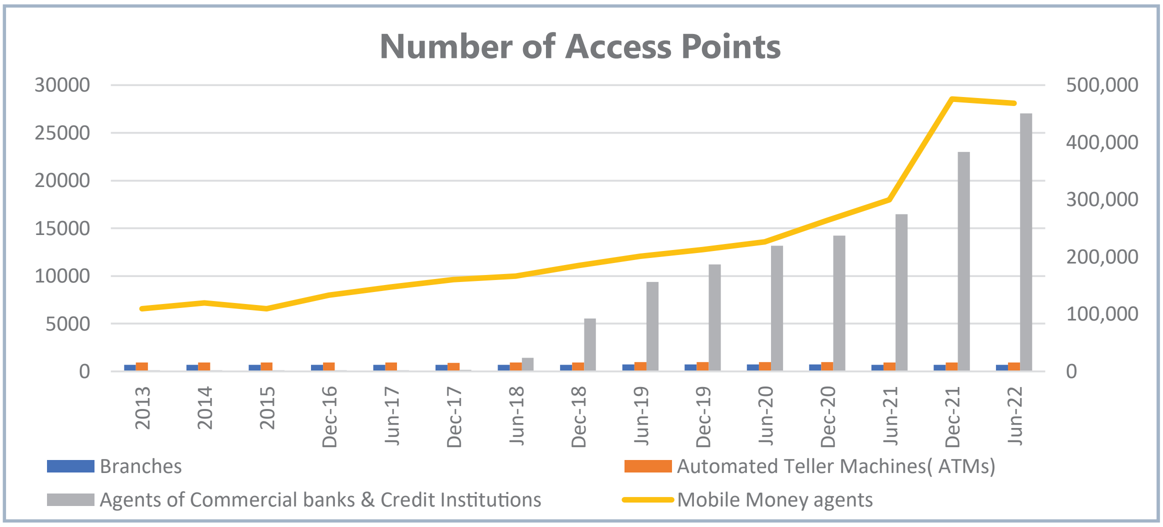
Source: Bank of Uganda



5.4 Access Points

The number of customer access points has increased drastically over the last 10 years. This is mainly driven by the improved technology, digitisation, and increased investment by the respective financial sector players in the respective channels and support systems, with the support of the regulator.

Figure 56: Number of Access Points



Source: Bank of Uganda

The average growth in branches, ATMS, agent banking agents & mobile money agents over the 6-year period (2014 - 2019) is 1%, 1%, 187% and 17% respectively. Overall, the growth in the number of access points over the same period is 17%. The average growth in the number of deposit accounts and number of credit accounts over the same period is 8% and 12% respectively.

5.5 Credit Cards, Debit Cards, and Points of Sale (POS)

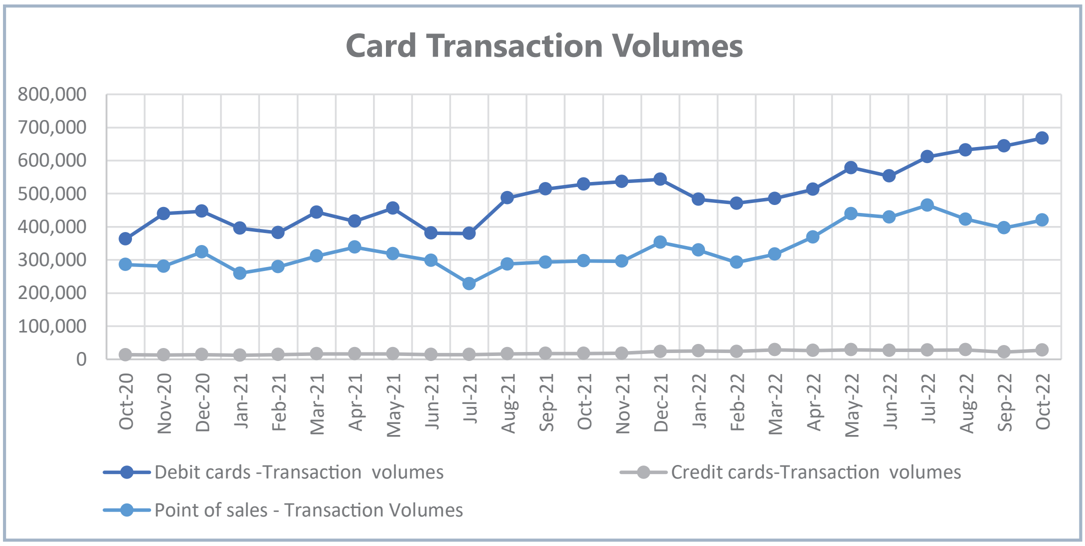
2021-2022
Active debit cards increased by **28%** to **3,562,424** cards

2021-2022
Active credit cards dropped by **14%** to **9,532** cards

Credit and debit cards are issued to provide individuals and businesses with convenient and secure access to financial services digitally, and at ATMs. Between October 2021 and October 2022, the number of active debit cards increased by 28% to 3,562,424 cards while the number of active credit cards dropped by 14% to 9,532 cards.

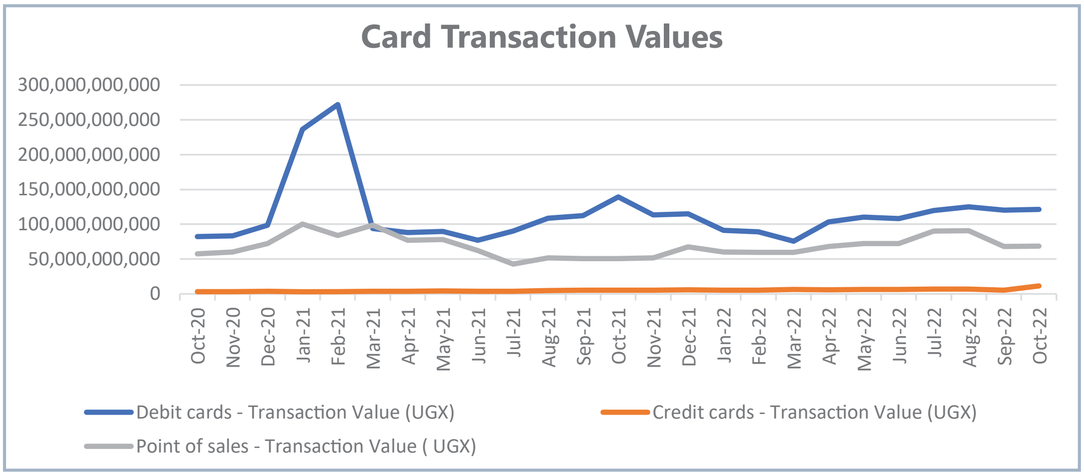
Whilst the value of transactions conducted on POS terminals showed a modest 20% increase (Ugx. 1.2bn), there was a substantial 19% increase (equivalent to 67,538 transactions) between December 2021 and October 2022. This resulted in the totals reaching Ugx 68.5bn and 420,154 transactions respectively by the close of the aforementioned period.

Figure 57: Volume of Card Transactions



Source: Bank of Uganda

Figure 58: Value of Card Transactions



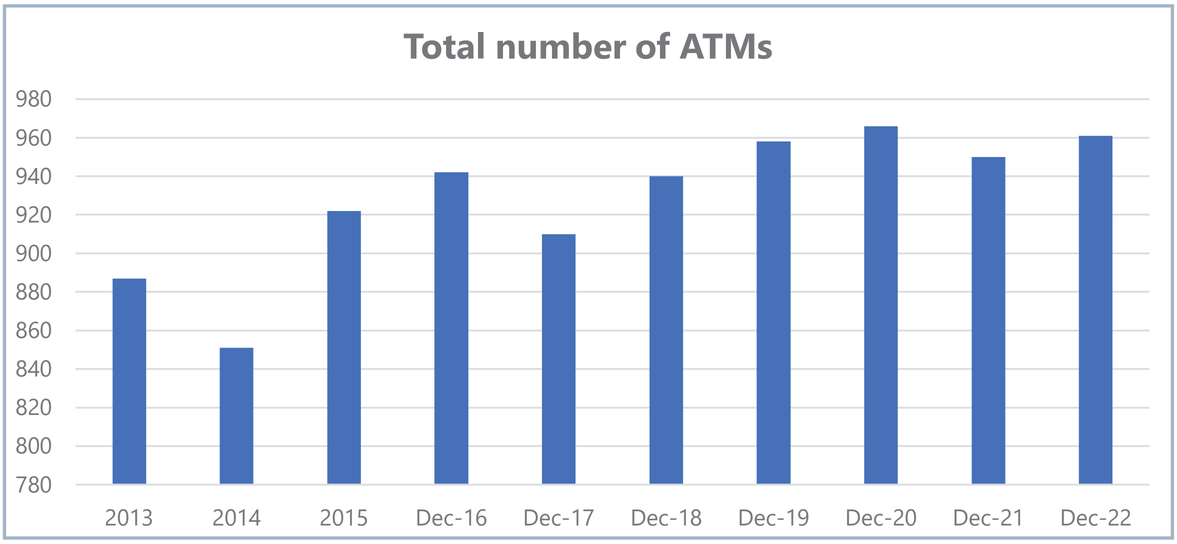
Source: Bank of Uganda

Closing 2022 at
961 ATMs

5.6 Total Number of ATMs

According to BOU, the total number of ATMs in the banking sector have remained relatively stable over the last five years, averaging 955 ATMs, and closing 2022 at 961 ATMs.

Figure 59: Total Number of ATMs

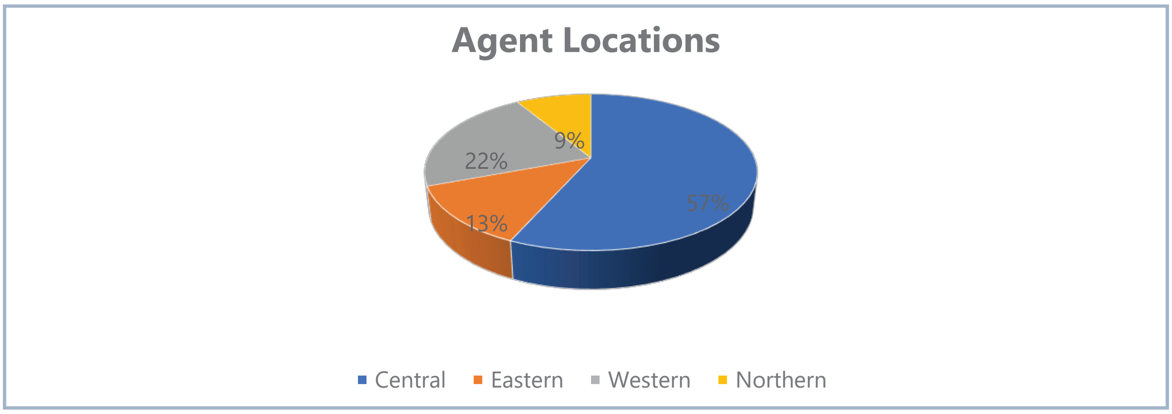


5.7 Agent Banking

As at end of June 2023, the number of bank agents was 25,360 and the total value and volume since 2018 was UGX 22.7 trillion and 26 million, respectively.

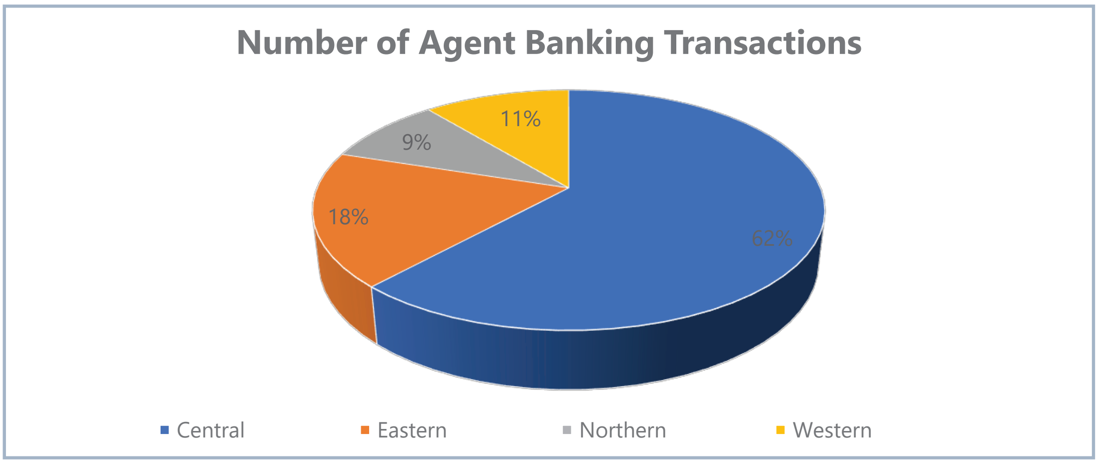
Most of the bank agents are located in the major towns across the country. Kampala district has the largest number of agents in the central region, accounting for 36% of all agents in the region. Jinja district has the largest number of agents in the Eastern region, followed by Mbale accounting for 19% and 15% respectively. Lira district has the largest number of agents in the Northern region, followed by Gulu accounting for 22% and 17% respectively. Mbarara district has the largest number of agents in the Western region, followed by Hoima accounting for 19% and 10% respectively.

Figure 60: Agent Locations



The central region accounts for 62% of the number of agent banking transactions and 73% of the value. The Eastern region showed the highest average YoY growth in number of transactions (2546%), whilst the central region showed the highest average growth rates in value (1504%). The Northern region showed the lowest average YoY growth in number of transactions (744%), whilst the Western region showed the lowest average growth rates in value (624%).

Figure 61: Number of Agent Banking Transactions (%)



5.8 Digital Payment Services

The banking industry has been experiencing a seismic shift towards digitization over the past several years, bringing the banking experience and operating model closer to that of other industries and consumer expectations are higher than ever before. The banking industry globally has invested heavily in digital banking capabilities, with online and mobile channels. For retail SFIs, online and mobile channels have become as important – if not more important – than branches and ATMs.

Investments in digital technologies benefit customer acquisition and satisfaction. For the SFIs to keep up, they must engineer their digital experience to make emotional connections, which ultimately could translate into sticky interactions and more profitable customers.

The rate of digital adoption is encouraging, though largely informational and transactional in nature. Many customers still prefer traditional channels for complex and advisory services. Banks still require human intermediation and cumbersome non-digital documents to process applications or requests, sometimes as part of a partially digitized process.

5.9 Real Time Gross Settlement (RTGS)

Ugx. RTGS accounted for 91% in volume and 99.98% in value of the total RTGS transactions conducted in 2022. The growth in RTGS transaction volume over the 14-year period (2009 – 2022) averaged 32%, predominantly driven by the remarkable 226% growth between 2009 and 2010. Throughout this period, transaction volumes consistently grew year on year, except for a 7% decrease between 2017 and 2018.

Figure 62: Total RTGS Volume (2009 – 2022)

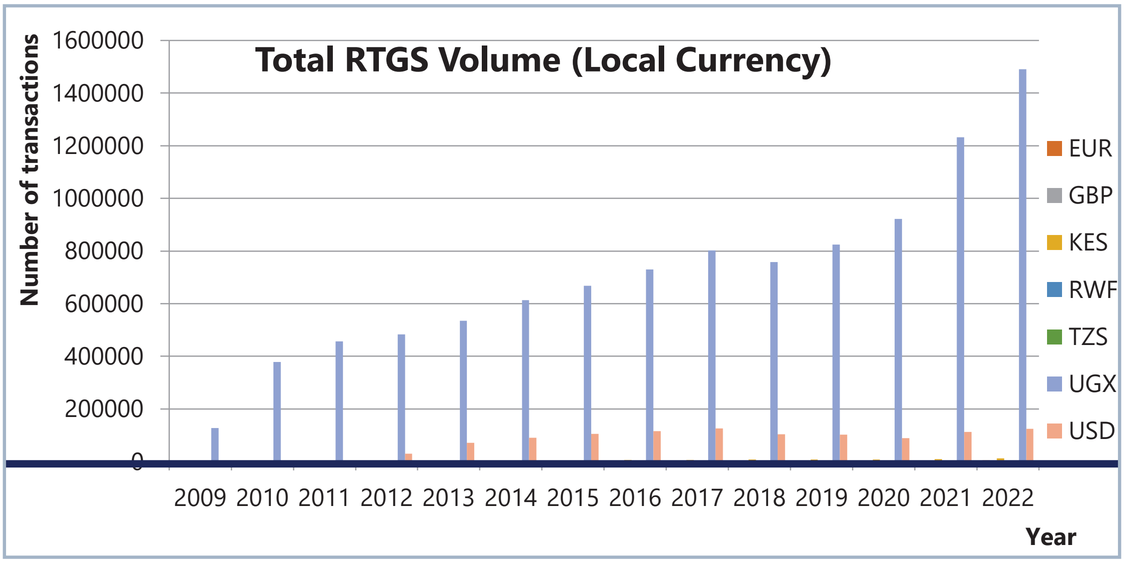


Figure 63: Total RTGS Value (Foreign Currencies)

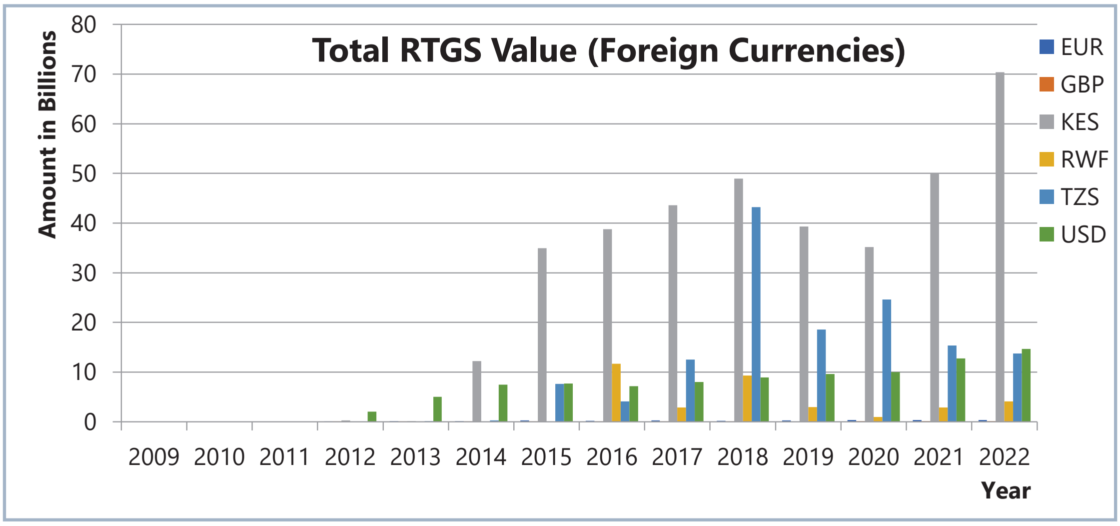
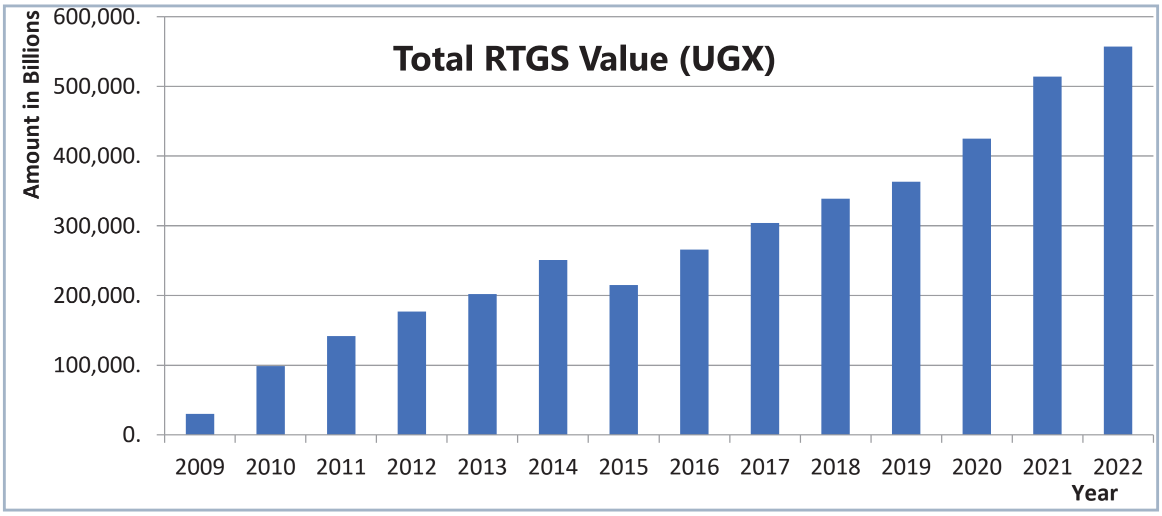


Figure 64: Total Value of RTGS (Ugx)



CHAPTER

06

Market and Sector Outlook

According to BOU, it is anticipated that Uganda's economic growth will experience gradual resurgence, with growth ranging from 5% to 6% during the fiscal year 2023/24. This resurgence is attributed to factors such as increased private sector consumption, investment in extractive industries and enhanced exports. It is important to note, however, that the economic outlook for the domestic economy remains uncertain, influenced by various factors including the following.

The economic growth trend in advanced economies represents a potential risk to domestic growth. Any changes in policy in such economies could intersect with longstanding global vulnerabilities, such as elevated levels of debt, leading to a significant slowdown in global economic growth.

Diminished foreign demand may limit the expansion of exports leading to a worsening current account deficit and increased requirement for external financing. Furthermore, a reemergence of disruptions in the supply chain caused by geopolitical influences, a more pronounced reduction in household spending and a more stringent fiscal policy, partly driven by unfavourable conditions in global financial markets, could curtail government spending on development initiatives.

Uganda's forecast heavily relies on oil investments, with the first oil expected in 2025/26 if government finds the financing for the crude oil pipeline. The optimistic forecast relies on the anticipation of substantial investment in expenditures in the oil and gas sector.

Agriculture continues to play a crucial role in the country's GDP growth and aspirations, as favorable weather conditions support the sector. However, the potential impact of the El Nino rains on agriculture may limit its growth resulting in subdued GDP growth.

Uganda

Medium-term economic scenarios

	Q1:23	Q2:23	Q3:23	Q4:23	Q1:24	Q2:24	Q3:24	Q4:24	Q1:25	Q2:25	Q3:25	Q4:25	Q1:26	Q2:26	Q3:26	Q4:26
Base scenario																
GDP (% y/y) pa	5.5	2.2	3.9	6.2	5.3	8.2	8.4	7.0	5.5	6.0	5.8	7.8	8.7	6.6	7.7	7.4
CPI (% y/y) pe	9.0	5.4	3.2	2.7	3.1	4.1	4.0	4.4	4.4	4.6	4.7	4.5	3.9	3.4	4.2	4.8
BOU policy rate (%) pe	10.0	10.0	9.5	9.0	9.0	8.0	8.0	8.0	7.0	7.0	6.5	6.5	6.5	6.5	6.5	6.5
3-m rate (%) pe	10.0	10.0	9.5	9.2	8.1	7.9	7.7	7.7	7.4	7.4	7.1	6.8	6.8	6.7	6.7	6.7
6-m rate (%) pe	10.2	12.0	11.6	11.1	10.5	9.7	8.8	8.5	8.3	8.3	8.1	7.9	7.7	7.8	7.5	7.5
USD/UGX	3770	3650	3700	3660	3715	3700	3660	3620	3580	3550	3550	3520	3530	3530	3515	3500

Source: Bank of Uganda; Uganda Bureau of Statistics; Ministry of Finance; Bloomberg; Standard Bank Research

Notes: pa - period average; pe - period end

CHAPTER

07

Appendices

7.0 Appendices

Appendix 1: SFI Abridged Financials 2022

Summary Financial Statements			
Amounts in Shs M	**2020**	**2021**	**2022**
A. Income Statement			
Income			
Interest on deposits and placements	176,709	135,212	148,881
Interest on loans and advances	2,361,056	2,546,465	2,855,126
Interest on marketable/ trading securities	315,594	494,825	501,765
Interest on investment securities	721,231	844,484	964,958
Fees and commission income	610,721	797,237	749,413
Foreign Exchange income	286,776	245,301	478,854
Other income	82,152	119,922	125,960
Total Income	**4,554,239**	**5,183,447**	**5,824,958**
Expenses			
Interest Expense on deposits	614,243	684,400	702,694
Interest Expense on borrowings	120,041	111,827	197,787
Management Fees	154,234	415,333	524,174
Operating expenses	2,164,342	2,137,559	1,767,770
Provisions for impaired loans and advances	484,280	517,393	950,743
Total Expenses	**3,537,139**	**3,866,511**	**4,143,168**
Net profit after tax	**776,396**	**1,001,571**	**1,276,994**
Total comprehensive income	**782,661**	**1,067,776**	**1,207,917**
B. Balance Sheet			
Loans and advances to customers (Net)	15,883,363	17,193,450	19,094,885
Total Assets	**38,210,955**	**41,445,891**	**45,493,790**
Customer deposits	26,494,703	28,196,061	31,573,450
Total Liabilities	**31,934,683**	**33,918,042**	**37,066,902**
Total Equity	**6,276,272**	**7,527,849**	**8,426,887**
	0		
C. Selected Performance Ratios			
Cost/ Income ratio (incl. ecl)	77.67%	74.59%	71.13%
Cost/ Income ratio (excl. ecl)	67.03%	64.61%	54.81%
Cost/ Assets ratio (excl. ecl)	6.07%	6.16%	5.04%
Non-interest Income (NII)/ Cost (Incl. ecl)	27.70%	30.06%	32.69%
Non-interest Income (NII)/ Income	21.51%	22.43%	23.25%
Interest income/ Income	78.49%	77.57%	76.75%
Net Interest margin	9.84%	10.29%	10.18%
Loan Deposit Ratio	59.95%	60.98%	60.48%
Effective Tax Rate	23.67%	23.95%	24.07%
Interest burden or Interest Coverage Ratio	6.20	6.51	6.47
Return on Equity	16.21%	17.49%	19.96%
Return on Assets	2.66%	3.18%	3.70%
Interest expense/ Interest Income	20.54%	19.80%	20.14%
D. Other Disclosures			
Non Performing Loans	1,008,396	1,100,076	1,190,252
Bad debts written off	184,528	200,620	512,538
Total Qualifying Capital	5,509,619	6,688,099	7,386,446
Total Risk Weighted Assets (RWA)	24,827,828	27,221,073	29,407,606
Core Capital to RWA	20.57%	23.11%	23.79%
Total Qualifying Capital to RWA	22.19%	24.57%	25.12%

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