

Louis Kasekende: Bank of Uganda's instruments to respond to inflationary pressures

Remarks by Dr Louis Kasekende, Deputy Governor of the Bank of Uganda, at a dinner hosted by DFCU Bank, Kampala, 5 May 2011.

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The Chairman and Board of Directors of DFCU Bank Limited;
Senior Management of DFCU Bank Limited;
Chief Executives of various institutions;
Distinguished Guests;
Ladies and Gentlemen

- The profile of DFCU Bank Limited reveals a common transformation process that has occurred in Uganda's banking industry over the past 10 years;
- Upon acquisition of the then *Gold Trust Bank Limited* by DFCU Limited, DFCU Bank Limited was licenced as a commercial bank in 2000;
- Over the last three years, DFCU Bank limited witnessed impressive growth in the following key performance indicators:

Item	2006	2008	2010
Deposits	Ugx. 127.0 bn	Ugx. 220.8 bn	Ugx. 489.7 bn
Assets	Ugx. 209.4 bn	Ugx. 493.5 bn	Ugx. 817.0 bn
Loans/Advs		Ugx.276.9 bn	Ugx. 405.0 bn
Core Capital	Ugx. 21.7 bn	Ugx. 40.9 bn	Ugx. 68.9 bn
Net Profit		Ugx. 13.6 bn	Ugx. 21.1 bn
Branches	9	19	26
ATMs	6	18	26

- DFCU Bank Limited has all through the past period maintained full compliance with statutory requirements on capital adequacy, which is a key performance indicator;
- DFCU Bank Limited has been able to roll-out a number of financial products, which include;
 - i) Savings Plus Foreign Accounts (Diaspora);
 - ii) Women in Business Accounts;
 - iii) Access Plus Loans;
 - iv) Tax Loans;
 - v) Contract Finance;
 - vi) Commodity Finance;
 - vii) Working Capital Loans;
 - viii) Internet Banking;

- Behind this impressive performance of DFCU Bank Limited is the financial support in terms of short to long-term loans drawn from committed partners under the umbrella of the parent company, DFCU Limited. These shareholders include;
 - i) PROPARCO;
 - ii) NORFUND;
 - iii) CDC;
 - iv) FMO;
 - v) EIB;
 - vi) KFW
- The above impressive performance has qualified DFCU Bank Limited into a major contributor in the development of Uganda's financial sector, with a sizeable portion of the market share;
- Turning to Bank of Uganda, I wish to re-affirm that as a monetary policy and regulatory authority, the mission of "Maintaining price stability and a sound financial system" remains paramount.
- On the monetary front, the recent unfolding inflationary pressures have been proactively responded to using a package of instruments, which include;
 - i) Pursuing a tight monetary policy stance to regulate money supply;
 - ii) Tactical interventions into the foreign exchange market to manage and minimize sudden fluctuations in the exchange rate;
- On the regulatory front, the following have been applied to ensure soundness and stability of the financial sector:
 - i) Conducting regular on-site examinations and off-site surveillance of supervised financial institutions in order to initiate prompt corrective actions as warranted;
 - ii) Enhancing risk management framework in all supervised financial institutions;
 - iii) Implementation of risk-based supervision to foster timely identification, measurement, monitoring and controls of risks inherent in the financial sector;
 - iv) Periodic reviews of the legal and regulatory framework to ensure update with current developments in the financial sector;
 - v) Aligning the regulatory framework with international standards especially after the recent global financial crisis;
 - vi) To facilitate innovation through amendment of the legal and regulatory framework to permit the following:
 - i) Implement mobile money banking;
 - ii) Bancassurance;
 - iii) Islamic Banking & Finance products.
- Rolling out guidelines for financial literacy and consumer protection.