

**ON AND OFF-BALANCE SHEET RISK ACTIVITIES AND FINANCIAL
PERFORMANCE OF BANKS IN UGANDA**

A CASE OF STANBIC BANK UGANDA

BY

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ABSTRACT

This study sought to analyze on and off-balance sheet risk activities and financial performance of banks in Uganda using Stanbic Bank as a case study. It involved using source documents specifically the income statements and calculating ratios relating to the different variables of the CAMEL model for evaluating bank performance. The study discovered that there is an increase in On and Off balance sheet activities annually in Stanbic bank. At the same time it makes it clear that Off balance sheet activities provide companies with means to separate and trade various risks. The numbers of commercial banks have been on increase due to their importance both at institutional and national levels. The study further showed that asset quality and management efficiency significantly affect the international commercial banks in Uganda. However, the effect of liquidity on the performance of commercial banks is not strong. The relationship between bank performance and management efficiency was found to be positive and for asset quality the relationship was negative. The study recommends the need for specific financial, disclosure or corporate governance requirements for foreign banks; the optimal degree of separation and segmentation of international activities from domestic bank activities. These and other issues will be well served by more in-depth research that in turn can enhance policy recommendations on how to appropriately deal with commercial banks.