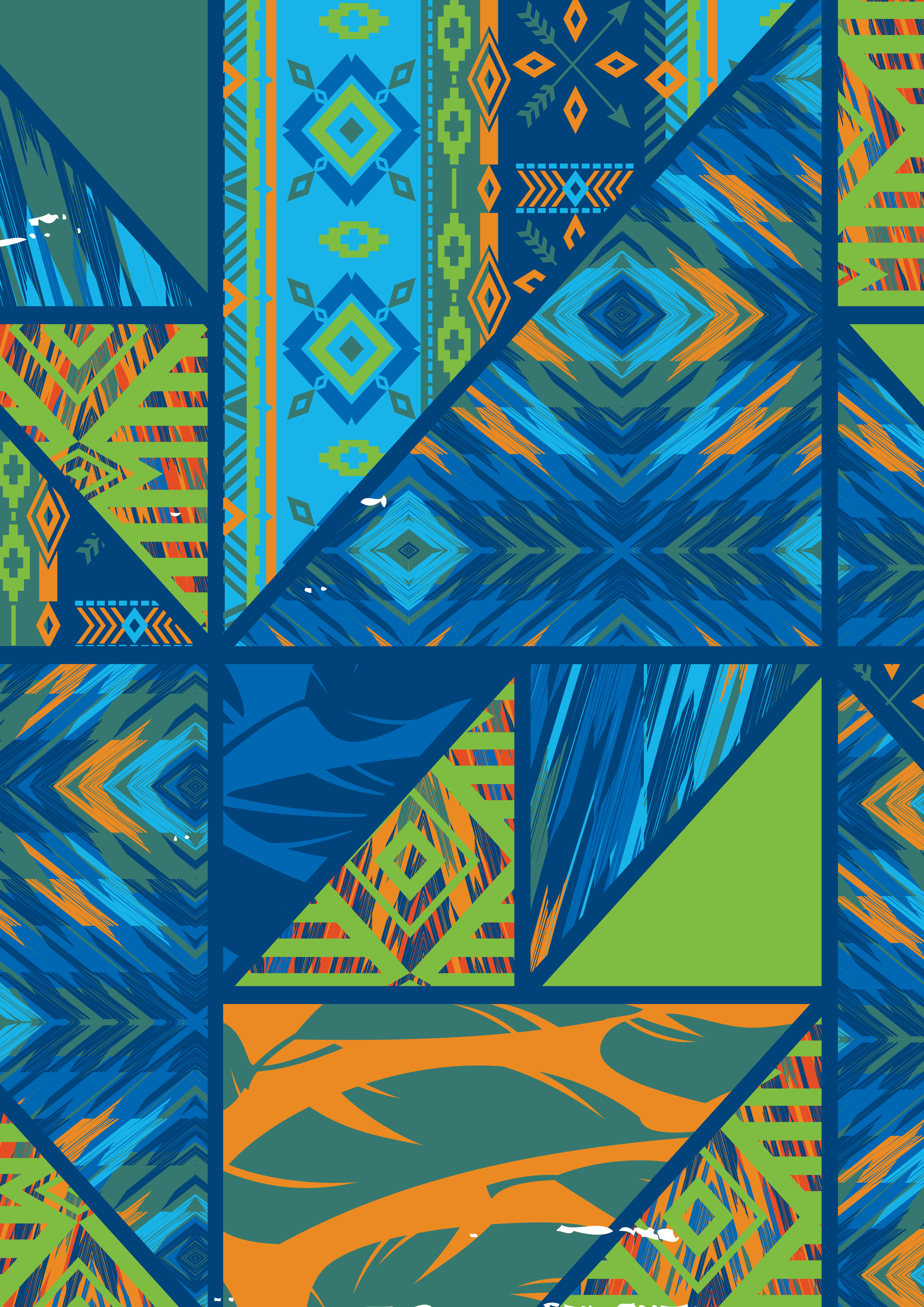
FINANCE trust BANK

Putting Women First

EMPOWERING DREAMS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023



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FTB Unsecured Overdraft for Schools:

Flexible Financing up to 50% of Total School Fees Collections!

Finance Trust Bank offers unsecured overdrafts for schools, providing flexible financing of up to 50% of total school fees collections to manage your cashflow needs.

To qualify, schools must have an existing school fees collection account with Finance Trust Bank, be enrolled on the school pay platform, and have at least one term of consistent history channeling school fees through Finance Trust Bank.

For more information, visit www.financetrust.co.ug or your nearest Finance Trust Bank branch.

YEARS OF
EMPOWERING
DREAMS

WHO WE ARE

Finance Trust Bank Limited (FTB) is a financial institution that is licensed and regulated by Bank of Uganda under license number A1.028. The Bank has a large branch network of thirty five (35) branches serving over 500,000 customers, countrywide. The bank was established in 1984 first as Uganda Women Finance Credit Trust and in 2004 transformed into an MDI. In 2013 it was granted the full commercial banking license to offer a full spectrum of banking services including provision of various products and services namely deposits, loans, money transfer services, and forex.

In addition, the bank has several other service channels including ATM machines, Mobile Banking, Internet Banking platforms and Agent Banking services through the shared Agent platform.

Our purpose

Finance Trust Bank is rooted in purpose, to provide sustainable financial solutions to her clients, especially women with the aim of transforming household and economic livelihoods while at the same time strengthening its position in the local industry to achieve profitability and sustainability.

Who we serve

Our core client lies in the lower pyramid of the economic strata, especially women who are emerging rural entrepreneurs and enterprising urbanites. We also serve individuals as well as saving groups.

Our Vision

To be the Bank of Choice

Our Mission

To efficiently deliver a range of highly competitive financial services to our customers especially women.

OUR BANKING
NETWORK AND CONTACTS

Arua Branch
Plot 2 Duka Rd
0740 002 663

Busia Branch
Plot 69, Custom Road.
0740 002 668

Corporate Branch
Plot 12B, Twed Plaza, Lumumba Avenue
0740 469 237

Central Branch
Plot 1 Bombo Road, Sure House
0740 002 669

Entebbe Branch
Plot 29, Kampala Road -Entebbe
0740 002 673

Gomba Branch
Block 212, Plot 117 Kanoni Town Council
0740 002 664

Iganga Branch
Plot 58A, Main Street.
0740 002 677

Ishaka Branch
Rukungiri Road,
0740 002 679

Jinja Branch
Plot 83 West Main street
0740 002 696

Kabarole Branch
Plot 7, Rukidi III Street
0740 002 698

Kalangala Branch
Plot 52/3 Main Road Kalangala
0740 002 700

Kalerwe Branch
Plot 641 Kibuga Mengo Kalerwe
0740 002 702

Kampala Road Branch
Plot 4 Kampala Road
0740 002 704

Kamuli Branch
Plot 1 Kitimbo Road
0740 002 705

Kamwenge Branch
Plot 10, Station Road
0740 002 706

Kapchorwa Branch
Plot 24, Tingey Road
0740 002 727

Katwe Branch
Plot 121 & 115,Block 6
0740 002 707

Kayunga Branch
Kayunga Town
0740 002 680

Kikuubo Branch
Plot. 21 Nakivubo Road Kampala
0740 002 734

Kitintale Branch
Plot 1315 block 243 Kitintale T/C
0740 002 778

Kumi Branch
Plot 26A, Ngora Road
0740 002 681

Lugazi Branch
Plot 65 Block 316 Kla-Jinja Road
0740 002 684

Lwengo Branch
Mbirizzi Trading centre
0740 002 773

Masaka Branch
Plot 7 Edward Avenue Masaka Town,
0740 002 687

Mbale Branch
Plot 23 Republic Street.
0740 002 688

Mbarara Branch
Plot 31 High Street Mbarara.
0740 002 708

Mukono Branch
Plot 35, Kampala-Jinja Road
0740 002 709

Nakivubo Branch
Plot 30-32 Mackay Road, Kampala
0740 002 710

Nansana Branch
Plot 6003 Block 203
0740 002 735

Nateete Branch
Plot 1246 & 974
0740 002 711

Ntungamo Branch
Plot 18, Old Kabale Road,
0740 002 712

Owino Branch
Plot 769 (Kafumbe Mukasa Rd)
0740 002 713

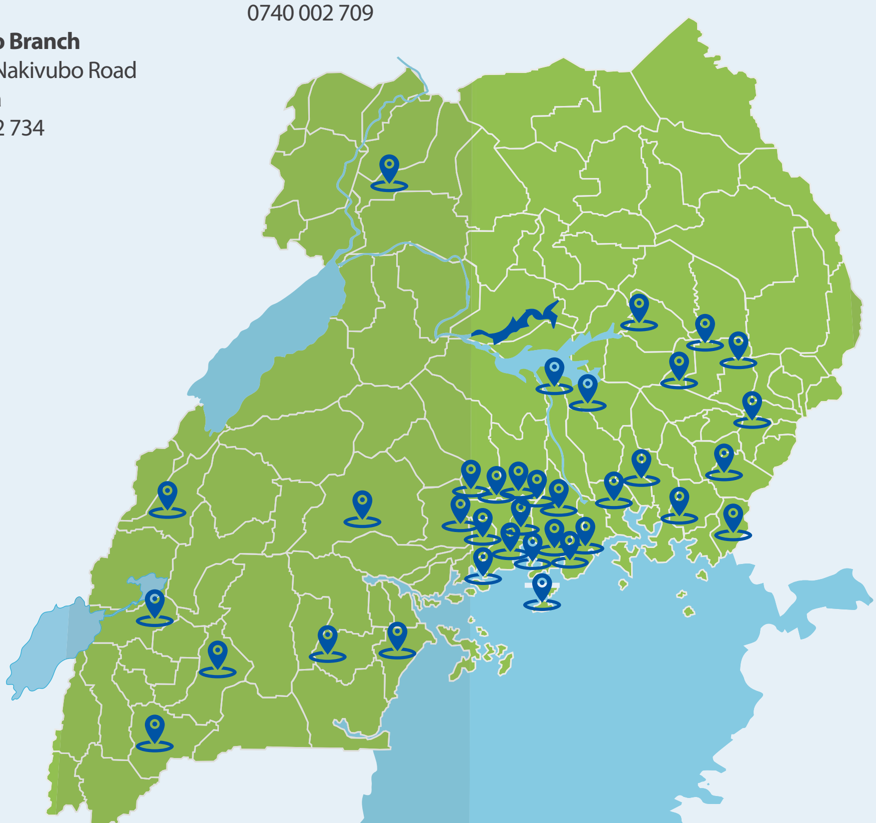
Pallisa Branch
Plot 11, Gogonyo Road
0740 002 693

Soroti Branch
Plot 49 Gweri road.
0740 002 691

Tororo Branch
Plot 12B, Bazaar Street
0740 002 690

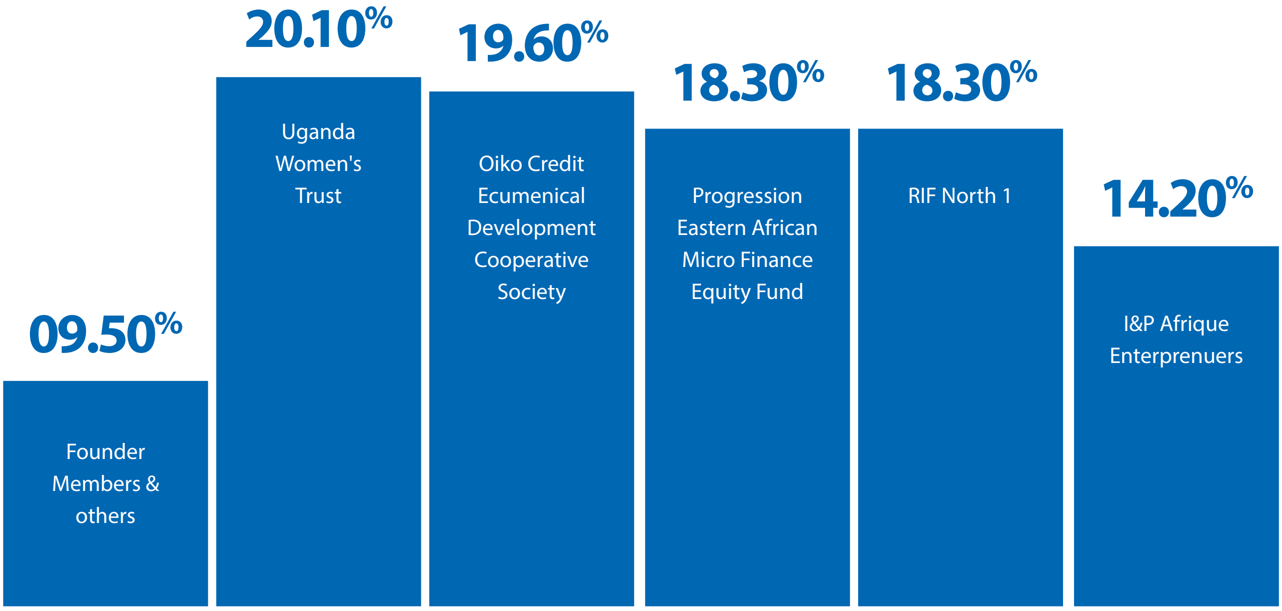
OUR FOOTPRINT
ACROSS UGANDA

The bank has 35 operational branches with 11 Automated Teller Machines and over 500 Agent Banking partners. The branches are clustered into 5 regional clusters namely; Central A, Central B, Mid East, Far East and Western Region.



SHAREHOLDERS

Finance Trust Bank has a varied ownership structure comprising of international and local shareholding as shown below:



OUR PARTNERS

The bank continues to underscore the importance of collaborative partnerships with the entities below in driving and shaping its sustainable business strategies.

Water.org: a collaboration to support improvement in access to clean water and Sanitation for local communities through financing to individuals and commercial businesses.

Uganda Development Bank : a partnership to facilitate on-lending to agriculture and agro-processing activities.

East African Development Bank (EADB): an alliance to support lending to small & medium enterprises in sectors such as organic agriculture, forestry, apiculture, fisheries, wildlife, eco-tourism, and renewable energy.

Symbiotics: cooperation towards Lending to micro, small and medium enterprises plus middle-income households.

Agri-Business Initiative (ABI): a collaboration to provide financing to agribusinesses and technology initiatives.

Aceli: a partnership enabling the bank to mine more business in the Agriculture value chain particularly SME.

Uganda Energy Credit Capitalization Company (UECCC): an arrangement to facilitate funding towards on-grid electricity connections.

ArmWright Investments: a partnership to facilitate access to asset acquisition particularly land and housing in urban areas.

STATEMENT OF THE CHAIRPERSON-BOARD OF DIRECTORS

The bank is committed to serving the base and middle of the pyramid, providing affordable financial services to spur economic growth and improve households. This focus on uplifting women aligns with global SDGs and local NDP III, believing that empowering women boosts the country's development prospects.

Dr. Evelyn Kigozi Kahiigi
Board Chairperson

Introduction

Allow me to present Finance Trust Bank's annual report for the year ending 31st December 2023. This year was characterized by key strategic milestones affecting the Bank's modus operandi and the local and regional financial ecosystem.

The Bank remains true to its purpose of serving persons at the base and middle of the pyramid with a critical focus on access to affordable financial services to spur economic growth and improve individual households. The Bank intentionally focuses on women, a theme that is resoundingly echoed by all Development agendas, be it Globally in the SDGs or locally in the NDP III prescribing. It is our conviction that uplifting women has an exponential multiplier effect on the country's development prospects.

Macro Environment

Despite the normalization in global supply chains, lower food and energy price inflation was higher than the 5.0% target for most of the financial year 2022/23. This reflects the effects of adverse weather conditions on agricultural output, which translated into higher food crop prices coupled with persistently high domestic fuel prices.
Resultantly, headline and core inflation averaged 8.8% and 7.4%, respectively, for the financial year 2022/23.

Uganda's economy continues to recover path albeit challenging domestic and global economic environments, with economic growth for the financial year 2022/23 assessed at 5.3% and projected at 6.0% for 2023/24, an improvement from the 4.6% recorded in the financial year 2021/22 & above pre-pandemic levels. The prior year's growth was largely driven by the services and industry sectors, while the projection for 2023/24 is underpinned by export performance and investments.

The economic growth forecast is projected in the range of 5.5%-6.5% relative to an earlier projection of 6.5%-7.0%. The downward revision in the growth prospects is against the backdrop of a set of factors, with the impact of a tight monetary policy in response to inflationary pressures being the overriding. The other key risks to the outlook include increased government borrowing that could crowd the private sector out of the credit market, the ongoing global tensions that have the potential to disrupt supply chains, exchange rate depreciation pressures that could adversely affect imports and global slowdown that could adversely affect Uganda's exports.

Key Undertakings for 2023

In 2023, the Bank was involved in the process of capitalization as per the new regulatory capital requirements for commercial banks under tier one, where FTB belongs. I am proud to announce that Finance Trust Bank ("FTB") and Access Bank PLC ("Access Bank") have announced the signing of a definitive agreement for Access Bank's equity investment into FTB. The deal will also see Access Bank concurrently acquiring the shares currently held by FTB's Institutional Shareholders who have sought to exit to a strategic, long-term shareholder.

The transaction, upon conclusion, will enable both banks to merge their technological resources, providing Finance Trust Bank customers with access to more secure and diversified digital platforms for seamless transactions and banking services provided by Access Bank. Furthermore, FTB could leverage Access Bank's expertise in building profound sector relevance across several industries and tap into revenue opportunities across new customer segments that cut across business and retail banking.

Notably, in 2023, the Bank implemented the much-anticipated open API Core Banking System, which allows for much smoother interfacing with third-party systems as a gateway to increased innovation. The implementation, which was finalized in the second quarter of the year, involved intense commitment from staff at all levels. I am glad that the learning curve for utilizing the system has been shorter than was projected.

These are exciting times in terms of innovations. The FTB is ready to embrace the opportunities and benefits of the open API. Implementing it will result in improved processes that will enhance our customers' experience.

> Finance Trust Bank's 2023 report showcases transformative milestones, including a strategic partnership with Access Bank and the implementation of an open API Core Banking System, positioning the Bank for future growth. A dedicated focus on empowering women and robust corporate governance further highlight the Bank's commitment to impactful development.

Financial Performance

During the year, the Bank undertook key strategic activities to stimulate growth and aggressively position itself for the future. Effectively, execution rate for all planned activities stood at 87.33% owing to fact that some initiatives were inexecutable on account of the expected Capital injection.

The Bank registered a 5% growth in assets, from Shs.441bn to Shs.465bn; the Bank's biggest asset is loans and advances, which increased by 9.6% from Shs265bn to Shs.291bn.

Customer deposits, on the other hand, dropped mainly due to a drawdown by PDM beneficiaries in the last quarter of the year. The resultant drop was marginal, at 0.03%, from Shs.276.7bn to Shs.276.8bn year-on-year.

Shareholders' equity grew by 1% from Shs.67bn to Shs.68 bn. The Bank's profitability dropped by 56% from Shs.8.5bn in 2022 to Shs3.7bn in 2023.

In light of the circumstances, the Bank's performance should be lauded; the guide rails have been put in place to catapult the business to greater heights.

Corporate Governance

Our corporate governance has consistently been maintained at a high standard, and It is our goal as members of the board of directors of Finance Trust Bank to increase shareholder value. We believe that effective governance and rigorous oversight are key enablers to accomplishing the desired success.

As a result, the board paid close attention in 2023 to the Bank`s compliance with the regulatory minimum core capital requirements and other important governance tasks.

The Board believes that effective governance is key to the successful development and execution of the Banks strategy. To this end, we will continue to deepen diversity on our Board, recognizing the benefits of a mix of gender, background, origin, skills, knowledge, experience, and familiarity with our key markets to support our strategy.

Alongside these improvements, optimizing our risk management processes has been crucial for the Board to proactively and strategically identify, assess and mitigate potential risks. These integrated efforts, which combine best practices with a robust approach to risk management ensure that our activities are conducted with transparency and accountability, fortifying our commitment to exemplary corporate governance.

The strength of the Bank lies in the diversity and talent of our people, including our leadership. We take pride in the diverse composition of our Board of Directors, which brings together a wide array of perspectives, experiences and skills. This diversity enriches our discussions, informs our decision-making and enhances our governance.

The Board placed special focus on the following areas for 2023 to ensure alignment with the Banks strategic direction.

- Bank`s financial performance.
- Capital and liquidity risk management
- Holistic risk management and the Bank`s resilience in the evolving technology landscape.

Capacity Building for the Board

The Bank prides itself on a competent and skilled Board. In 2023, the Board provided the following training to further capacitate its members through programme workshops, which were delivered collectively to all board members, particularly in Corporate Governance, ESG, and Anti-Money Laundering.

Appointment of New Director

We are delighted to welcome Ms. Christine Kawasiima as an independent non-executive director of Finance Trust Bank effective July 2023. Ms. Christine has over two decades of experience as an accountant and auditor. Her career has taken her through esteemed organizations like Ernst & Young, and she presently holds the position of Chief Internal Auditor at Uganda Management Institute. Specializing in areas such as risk assessment, audit planning, and the ongoing enhancement of internal systems, Christine brings a wealth of expertise to her role.

The Bank conducted an induction program for Ms. Kawasiima with the objective of orienting her into the Director role to ensure that she appreciates the organization’s risk management, policies and procedures as well as her legal and fiduciary duties and responsibilities.

Ms. Christine is the Chairperson- Board Audit Committee and has already provided valuable insights and input during her short tenure, and we look forward to her continued contribution to Finance Trust Bank while serving on the Board.

YEARS OF EMPOWERING DREAMS

Finance Trust Bank celebrates 40 years of empowering women and enhancing financial inclusion and the strategic partnership with Access Bank position the Bank for global growth, innovation, and improved governance, signaling a transformative future.

Changes to the Board Committees

In line with the Bank of Uganda consolidated Corporate governance guidelines 2022 and the shareholder's resolution at the general meeting held on 17th January 2023, Board Committees were reconstituted with only Independent Non-Executive Directors assuming the Chairperson role. This move signifies the importance of independence on the Board for enhanced objectivity and strategic decision-making.

Annual Board Evaluation

The annual board effectiveness review is key in our governance model and allows us to verify the quality and effectiveness of our governance bodies functioning. We periodically enlist the help of external independent advisors for the annual board effectiveness review, who enrich the outcomes with objective contributions. We also review individual and collective skills to ensure the board’s competence and diversity are sufficient for it to function effectively and hold management to account through constructive challenge.

In 2023, the Board Compensation committee monitored execution of the action plan resulting from the 2022 internal board effectiveness review, which was successfully completed. In addition, the Board conducted its annual Evaluation review in 2023 with the collaboration of an external independent firm -BNM Advocates, covering its structure, organizational and functional model, dynamics and internal culture, depth of challenge, embeddedness of previous review outcomes, committee performance, as well as each director’s performance and contribution. Both the areas for improvement and the recommendations were received and addressed by the Board of directors in March 2024.

The Future

This year, the Bank marks 40 years of existence. We look back on the lives we have touched and marvel in awe at the responsibility this entails for us. We intend to remain true to customers who have journeyed with us this far and are thrilled about the tremendous opportunities before us as we transform the Bank into a global brand affiliated with Access Bank Plc.

This opportunity promises to ignite huge potential in the business. It will also increase propositioning to women with tiered offerings at all levels, which is part of the Bank's aspiration.

The affiliation with Access Bank will undoubtedly bring value through the more comprehensive partnership network, skills transfer from other parts of the world, and improvement in systems and processes.

We shall continue to serve women, which was critical in selecting the strategic partner aligned to the same.

Looking ahead, we are committed to increasing shareholder value in a manner consistent with the highest industry standards for serving our customers, employees and communities, while fulfilling our supervisory expectations and governance obligations. We are also mindful that the volatile geopolitical, economic and market conditions of 2023 could extend into the coming year. Working closely with our executive team, our board is confident that we will continue to create long-term, sustainable value for all stakeholders in 2024 and beyond. We are firmly committed to reporting information of the highest quality to align the Bank`s interests with those of its shareholders, through sustainable growth and long-term value creation, and to retain shareholders' confidence.

Appreciation

I sincerely thank the Board of Directors, with whom I serve, for a job well done in taking Finance Trust Bank into a new chapter of its existence. Similarly, I reserve special mention for the management team for their commitment and dedication to the Bank's operations.

To our founding members, we only built on your vision and have relied on your counsel to propel Finance Trust Bank into a brand that has impacted lives, an achievement magnified by the milestone of the Bank's 40 years of existence.

We are deeply honoured to serve our customers. Thank you for making Finance Trust Bank your Bank of Choice. We commit to and aspire to exceed your expectations.

I wish to also thank our outgoing shareholders for the patience and commitment to our mission of Putting Women First. I look back with excitement at what we have achieved together, most notably impacting the lives of many women and the people of Uganda. You leave an indelible mark on the country's development agenda.

Finally, I thank our regulators for their guidance and understanding; it would not have been possible without your stewardship.

Dr. Evelyn Kigozi Kahiigi
Board Chairperson

BOARD OF DIRECTORS

Dr. Evelyn Kigozi Kahiigi
Board Chairperson

Dr. Evelyn Kigozi Kahiigi is currently a Lecturer and Head of Department of Information Technology at the School of Computing and Informatics Technology, Makerere University. She started her career at Nile Bank where she worked in the Operations and Computer Departments. Evelyn then moved to the Directorate for ICT Support, Makerere University where she was part of the pioneering team in setting up ICT infrastructure and systems with specific engagement in developing and implementing the ICT Policy, Strategy and Master Plan.

Evelyn is an Adjunct Faculty at Strathmore University Business School, Board Chairman, Weerinde Insurance Services Ltd, Board Member, Greenhill Schools Virtual Learning Ltd. She is a youth mentor and an advocate for academic and social excellence. Her interests are inclined toward ICT4D in the field of E-learning, Entrepreneurship and Health Informatics to support, enhance and sustain a better quality of life for the underprivileged and marginalized groups. Evelyn holds a PhD in Computer and System Sciences from Stockholm University, Sweden.

Mr. Tor. G. Gull
Director

Mr Tor G. Gull served as the Managing Director of Oikocredit International in the Netherlands from July 2001 to July 2011.

Tor is from Finland where he before joining Oikocredit worked as Senior Vice President and Head of Export and Project Finance for one of the largest commercial Banks in Finland. During that time he was also the Chief Representative for the Bank in South East Asia and China for three years, based in Hong Kong.

From 1978 to 1982 Tor worked with the Nordic Project for Cooperative Development in Tanzania and Kenya developing and supporting credit unions, and small-scale businesses in various parts of the countries. His experience also includes financial management positions in the Pulp and Paper Industry in Finland. Since his retirement from Oikocredit Tor has continued his involvement in the financial sector through directorships and memberships in banks, investment funds and institutions active in impact investing, microfinance and other development projects.

His professional expertise is complemented by his academic distinctions including a Masters in Accounting from the Swedish School of Economics in Helsinki School of Economics/University of South Carolina.

Mr. Loïc De Cannière
Director

Loïc De Cannière joined Incofin Investment Management as CEO in 2001. He recently became the Chair of the company's Supervisory Board.

He successfully grew the fund management company into one of the larger microfinance and impact investment fund management companies, with a strong focus on balancing financial and social returns. Today, Incofin IM manages combined total assets of more than 1 bn USD. Incofin IM manages funds focusing on investments in agri-focussed financial institutions (Rural Impulse Fund II, agRIF, Incofin cvso) an funds investing in the agri value chain and agri-food companies (India Progress Fund, Fairtrade Access Fund). Incofin advises a large German retail impact fund "Invest in Visions".

Incofin IM's investor base comprises large private institutional investors, development finance institutions. Incofin IM has a team more than 85 dedicated professionals and has offices in Belgium (Antwerp), Colombia (Bogota), India (Chennai), Kenya (Nairobi) and Cambodia (Phnom Penh). Loïc De Cannière is also Chair of the Board of Directors of the Social Perfomance Task Force (SPTF).

Before he joined Incofin, Loïc De Cannière was responsible for structured finance at the DEME Group, where he structured large port and environmental projects in Tunisia, Ghana, Nigeria, Qatar, India, Bangladesh and Taiwan. Loïc De Cannière studied economics and philosophy at the Universities of Louvain (Belgium) and Munich (Germany).

Ms. Mary Oduka Ochan
Director

Mary Oduka Ochan holds a Master's degree in Development Studies from the University College in Dublin, and a Bachelor's degree in Commerce (Marketing) from Makerere University Kampala. She has served with Irish Aid Program as Senior HIV & AIDS Specialist and as Senior Advisor in the Embassy of Ireland Uganda/Irish Aid. She has served as Country Director of Agency for Personal Services Overseas (APSO) (Irish State Agency), in Uganda and Country Director in Kenya for the same Agency.

She served as Director / Consultant Executive for Africa Development Assistance (ADA) (an East African regional NGO) ,as an Assistant Secretary for Women Affairs in Uganda Peoples' Congress Secretariat from and as Marketing Officer for Uganda Airlines Corporation (Tours and Charters). Mary has provided various consultancy services over the years.

Ms. Lydia Koros
Director

Lydia Koros is a co-founder and Managing Partner at Progression Capital Africa Ltd (PCAL). Prior to setting up PCAL she managed the establishment of a niche MFI focusing on the agriculture value chain in rural Kenya. Prior to this Lydia served as the Managing Director of Faulu Kenya Ltd, a Deposit Taking Microfinance institution, from August '05 until March 10 under her leadership, Faulu became the first MFI to be licensed by the Central Bank of Kenya as a DTM.

She was instrumental in spearheading the M-Pesa mobile money transfer system pilot in Faulu Kenya and its utilization by Kenyan MFIs. She has served as the Chairperson of the Association of MFIs in Kenya, chaired the task force set up by AMFI to lobby for the passing of the Micro Finance Act and Regulations for Deposit-Taking MFIs as law. She successfully organized and chaired the Africa and Middle East Microcredit Summit held in Nairobi in April'10. Prior to entering the MFI sector, Lydia worked in Kenya Commercial Bank for over 18yrs in various capacities in the corporate and retail divisions of the Bank, including Head of Corporate Banking.

Mr. Jean-Louis de Montesquiou
Director

Jean-Louis'career started at Banque de L'Union Européenne in Paris, then with JP Morgan in New York, Paris and London, where he co-headed the Department of International Loan Syndications. He then ran the corporate finance and banking unit of Union Bank of Switzerland in France. In 1998 he set up the French branch of UBS, which he built up to a size of 400 employees. From 2004 to 2008, as Vice-Chairman of UBS Wealth Management, he ran a program of acquisitions of European Private Banks before being involved as senior adviser in the UBS Philanthropy Department.

He obtained a Master in International and European Law and a Master in History from Paris Sorbonne University in 1975. He also holds several directorships in financial institutions,including Fides Bank Namibia, and is a board member of several charitable institutions, including EORTC and the American Library in Paris. He is also a contributor to a few magazines as well as a town councilor in Mauvezin, France.

CPA Dr. Albert Richards Otete
Director

Albert Otete is is a member of the Professional Accountancy Organizations in Uganda, Kenya, Tanzania and Rwanda. He holds a PhD in Business Administration (Swiss School of Management), a Masters in Business Administration (ESAMI Business School) and a Bachelor's degree in Commerce (Makerere University, Kampala). He is a member of ISACA International, a Certified Information Systems Auditor (CISA), a Certified Information Security Manager (CISM) and is Certified in the Governance of Enterprise IT (CGEIT). He is an Insolvency Practitioner licenced by the Uganda Registration Services Bureau (URSB). He joined international auditing firm PwC Uganda in 1992 and gained practical accountancy practice experience for 10 years. Thereafter, he was the Head of Audit at Stanbic Bank Uganda Limited for 12 years. He is now a the Techical/Research Partner in his own accountancy practice; J.Samuel Richards & Associates, a firm licenced and regulated by the Institute of Certified Public Accountants of Uganda (ICPAU). He has written in accountancy journals/magazines for the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Public Accountants of Rwanda (iCPAR) and ICPAU as well as educative articles for the top newspapers in Uganda. He has been a Member of the ICPAU Professional Standards Committee (2017-2018), the Education & Research Committee (2019-2020) and now the Finance, Planning and Development Committee (2021 to-date).

Dr. Otete has been a Board Member of Finance Trust Bank Uganda Limited since 2016 and was the Chairperson, Board Audit Committee and a Member of the Board Risk Committee. He is also a Board Member at NITA Uganda, a Board Advisor at NSSF Uganda and Uganda Development Bank Limited.

Ms. Grace Namulinda Aliakai
Director

Grace Aliakai received a Masters degree in Electronics & Electrical Engineering from Loughborough University in 1998. Mrs. Aliakai worked for a few months at Computer Point and then moved on to MTN Uganda in 1999 where she worked for nearly 8 years. At MTN she served in a number of positions including Principal Planning Engineer - Strategic Technologies, where she was in charge of the strategic planning, setup and maintenance of international roaming and interconnection of local and international networks.

Mrs. Aliakai joined Warid Telecom in 2007 where she served as Manager Core Network Strategic Planning before becoming the Head of Carrier Business which position she held to 2010. Mrs. Aliakai also worked at ATX Technology, an entrepreneurial business with the main focus on Finance.

Mrs. Aliakai is a director at Konserve Advisory Sevices Ltd and at a Ugandan NGO, Mentoring and Empowerment Program for young Women (MEMPROW). She is also a long standing member of the Uganda Women's Trust..

Mr. Robert Kirunda
Director

Robert Kirunda holds a Masters in Law (LL.M) International Legal Studies Program (ILSP) from the American University Washington College of Law, a Masters in Law (LL.M) in international Trade and Investment Law from University of the Western Cape, South Africa, a Post graduate in Legal Practice(Bar Course), Bachelors of Laws . Robert is the founding partner at Kirunda & Wasike Advocates where he works since December 2012.

He lectures at Makerere University Kampala and has worked with JN Kirkland and Associates (Law firm), Makerere University Business School department of law and Shonubi, Musoke & Co. Advocates. He served in a capacity of a Legal Vice presidency, World Bank Group Washington D.C Intern from January to April 2008. Robert is a member of the following professional bodies- Uganda Law Society, East African Law Society, Uganda Christian Lawyers Fraternity and has authored several publications.

Ms. Christine Kawasiima
Director

Christine Kawasiima has over two decades of experience as an accountant and auditor. Her career has taken her through esteemed organizations like Ernst & Young, and she presently holds the position of Chief Internal Auditor at Uganda Management Institute. Specializing in areas such as risk assessment, audit planning, and the ongoing enhancement of internal systems, Christine brings a wealth of expertise to her role.

Christine's board experience is extensive, having served as an independent non-executive director in notable companies like CIC Africa Life Assurance Limited and Vision Fund Uganda. At CIC Africa Life Assurance Ltd, she holds the position of Chair of the Audit Committee, while at Vision Fund Uganda, she serves as the Vice Chairperson of the Board and Chair of the Board Audit and Risk Committee. Additionally, Christine has contributed her expertise to Tropical Bank Ltd, where she also chaired the Risk Committee, and to the CPA SACCO, where she held the role of Vice Chairperson of the Board.

Christine holds a Master's in Business Administration (Finance), a Bachelors in Economics, a Digital Finance Practitioner certification, and is a member of several professional associations, including the Association of Chartered Certified Accountants (ACCA), the Institute of Internal Auditors, ICPAU, The League of East African Directors and the Institute of Corporate Governance (Uganda). Her areas of interest include financial services, not-for-profit, and public finance.

Mr. Gervase Ndyanabo
Director

Gervase Ndyanabo is a Certified Public Accountant and a Certified Internal Auditor. He started his career at Coopers and Lybrand, Chartered Accountants, Kampala before joining New Vision Printing and Publishing Co. Ltd where he has served as Chief Internal Auditor, Chief Finance Officer, and currently as Deputy Managing Director and Company Secretary.

Gervase has served on several Boards including; member of the Board of Directors of the Global Institute of Internal Auditors, President of The Institute of Internal Auditors (IIA), Uganda, and member and Vice Chairman of Council of Uganda Martyrs University. He is currently the Chairman Board of Trustees of IIA Uganda, a member of the Disciplinary Committee of the Institute of Certified Public Accountants of Uganda, and President of Uganda National Catholic Council of Lay Apostolate (UNCCLA).

Gervase is an active member of Lions Clubs International and is currently the Global Leadership Team (GLT) Coordinator for Uganda.

Gervase holds a Bachelor of Commerce (Accounting) degree of Makerere University, Kampala and an MBA from Edinburgh Business School, UK.

Mr. Jeremy Hajdenberg
Alternate Director

Jérémy Hajdenberg is co-CEO at Investisseurs & Partenaires (I&P), the management company of several investment funds supporting small- and medium-sized companies in Sub-Saharan Africa and generating social and environmental impact since 2002. In 2021, the teams of I&P and its partner funds include 120 professionals prepared to fund around 40 African start-ups and SMEs per year, from seed stage to growth stage.

He graduated from HEC Paris Business School and holds a Master's Degree in Development Economics from the Paris School of Economics. He is a co-author of the books Le guide de la Microfinance (2009) and Entreprenante Afrique (2016), the latter one with J.M. Severino, and has been a member of the Presidential Advisory Council for Africa.

Mr. David Senoga
Alternate Director

David Ssenoga has 33 years' experience in banking, Microfinance, auditing and financial reporting. He holds a Master's of Science Degree in Finance and Accounting, and a Bachelor's Degree in Commerce, of Makerere University- Kampala. He holds a CPA and is an active member of ICPA(U). He also serves on Makerere University Retirement Benefits Scheme Trustee Board as the Chairperson of the Scheme's Audit Committee. Currently he is a practitioner at SDS & Company Certified Public Accountant.

Previously he practiced at partner level at Kisaka & Company Certified Public Accountants for 10 years.

Ms. Annet Nakawunde
Managing Director

The Managing Director of Finance Trust Bank, Mrs. Annet Nakawunde is a banker by profession with over 15 years' practical experience in Banking and Microfinance. Previously she has worked in various capacities, at Finance Trust Bank as Head of Operations, and Operations & Compliance Manager. Prior to Finance Trust Bank, Annet held various key positions at Pride Micro nance and Nile Bank Ltd.

Ms. Nakawunde holds a Masters in Business Administration majoring in Finance, a postgraduate diploma in Financial management and an honors degree in BA (Arts), She has also attended a number of trainings including Harvard Business School's Strategic Leadership in inclusive Finance, the Advanced Leadership training in Wharton Business School, University of Pennsylvania in USA, Coaching Program for Mission, Leadership and Performance By CREATIVE METIER , Oxford , England, Women in leadership by WOMEN'S WORLD BANKING CENTER FOR MICROFINANCE LEADERSHIP, New York where she got the Financial Woman's Association's Women in Leadership Award for 2008, Balance score card training and Basic banking by Institute of Bankers.

She is passionate about women and youth empowerment, as well as ensuring best practice in banking and micro nance and creating value for customers. She is result oriented and an excellent team player with strong leadership qualities

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Ms. Annette Kiggundu
Executive Director

Annette Kiggundu is the Executive Director of Finance Trust Bank. She joined the Bank in May 2016 as Head of Treasury with over 13 years of progressive banking experience in the fields of treasury and financial management, International business, Risk, Compliance and Operations.

Previously, she worked with UBA Uganda and Centenary bank.

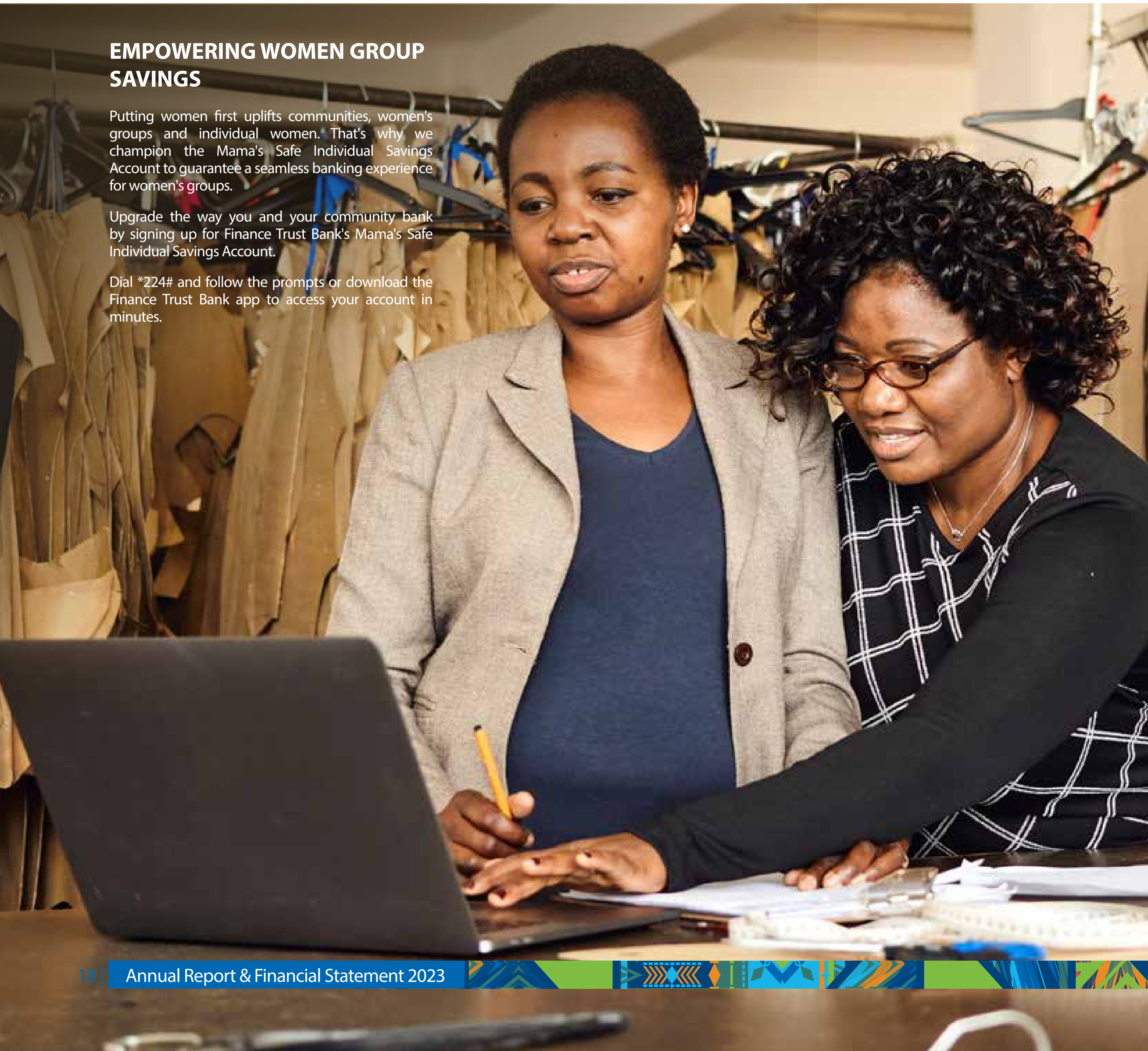
She is a chartered accountant with the Association of Chartered Certified Accountants (UK),holds a Bachelor`s of Commerce degree (Accounting) and Master's Degree in Business Administration from University of South Wales(Wales). Annette also holds a ACI Dealing certificate and is a member of ACI Uganda Dealers Association.

Ms. Patricia Kemirembe Katende
Company Secretary / Head Legal

Patricia Kemirembe Katende has over 15 years of professional experience in law and in-house legal counsel services. She is a Chartered Corporation Secretary, a member of the Institute of Chartered Secretaries and Administrators (ICSA) UK, a holder of an honors Bachelor's Degree in Law from Makerere University and a post graduate diploma in legal practice from the Law Development Centre, Kampala and currently pursuing an MBA from the University of South Wales.

Patricia is an enrolled Advocate of the High court and all courts subordinate to it. She holds a valid Law practicing certificate. She is a member of the following professional bodies; The East African Law Society, The Uganda Law Society, The Chartered Governance formerly known as ICSA. She has also attended various professional trainings in continuous legal profession development and in Corporate Governance.

Patricia has worked with Uganda Microfinance Limited and Centenary Bank at senior levels. She is a good team player and passionate about law and banking.



EMPOWERING WOMEN GROUP SAVINGS

Putting women first uplifts communities, women's groups and individual women. That's why we champion the Mama's Safe Individual Savings Account to guarantee a seamless banking experience for women's groups.

Upgrade the way you and your community bank by signing up for Finance Trust Bank's Mama's Safe Individual Savings Account.

Dial *224# and follow the prompts or download the Finance Trust Bank app to access your account in minutes.

40 YEARS OF EMPOWERING DREAMS

Make cash withdrawals at any Trust Agent location.

Withdraw cash at any Trust Agent location using your Trust Cash Debit Card. We prioritize your convenience and are committed to making your banking experience smoother!

Find your nearest Trust Agent location today and enjoy seamless cash withdrawals!

STATEMENT OF THE MANAGING DIRECTOR

The bank registered 9.6% YoY growth in net loans and advances from Shs265bn in 2022 to Shs291bn in 2023 mainly resulting from increased demand for credit while Total Assets grew by 5%, from Shs 441bn to shs 465bn.

Annet Nakawunde
Managing Director

Preamble

It is with great pleasure and optimism that I present to you the performance of Finance Trust Bank for the year 2023, a year that turned out to be a defining moment for various stakeholders of the bank.

Last year was a very special year filled with both internal and external events that defined how the future would look for the bank.

Internally, the bank undertook a series of strategic decisions that would ensure an exciting and more fulfilling future for both the staff and customers as well as other stakeholders.

Operating environment

2023 was characterised by various challenges predominantly geopolitical tensions, volatile markets, rising inflation, exchange rate instability and other macroeconomic factors globally. Amidst the resultant pressure emanating from the highlighted factors, the economy remained resilient, supported by the continued recovery of activity in the agriculture, construction, and services coupled with continued foreign direct inflows, especially into the extractive sector and government investments in growth-enhancing programs such as the Parish Development Model and other infrastructures. Private sector credit growth improved slightly in agriculture, manufacturing, housing, and business services sectors but remained weak in trade, transport, and communications sectors.

32%

increase in customer numbers, now serving 527,980 clients.

The banking industry continues to be poised with various risks, many of which are associated with technology in the digital era. We have seen an increase in technologically driven and internal-led cyber frauds in the recent major-value fraud events in banks, the effect to this being increased investment in technology to shield against cyber frauds. The cost associated to safeguarding customer deposits and transactional integrity is increasingly becoming a paramount consideration in the industry. We are glad that in the past year we were able to steer clear of any major frauds attributed to the technology.

Additionally, the industry continues to grapple with the heightening credit risk, manifested in the increasing trend on non-performing loans and eventual write offs. We have tightened the grip in this area and several changes have been instituted by management to forestall this particular risk. We continue to follow up on the cases that materialized in the year 2023 to make good, through litigation, among other measures, to recover the lost value.

Finance Trust Bank successfully upgraded its core banking system for enhanced innovation and service delivery.

Overall, the general business environment and its the precipitating conditions for the year 2023 has a bearing on the Bank's operations as we evaluate the Bank's performance.

Our performance

The bank registered sustained growth in customer numbers of 32% and now is proud to be serving 527,980 customers.

The bank registered 9.6% YoY growth in net loans and advances from Shs265bn in 2022 to Shs291bn in 2023 mainly resulting from increased demand for credit while Total Assets grew by 5%, from Shs 441bn to shs 465bn. Shareholders' equity, on the other hand, grew by 1% from shs 67bn to shs68bn. The Bank's after-tax profit dropped by 56% from shs8.5bn in 2022 to Shs3.7bn in 2023.

The bank, saw a huge growth in the water and sanitation loan portfolio by over 40% within the year. This shows a glaring need for better standards of living in the community as well as the bank's commitment to improvement of livelihoods through enabling families' access to clean water and sanitation facilities through credit.

The bank realized a slight dip of 0.03% in customer deposits closing at Ugx276.7bn in 2023 from Ugx276.8bn recorded in the same period in the year prior. This position is attributed to multiple challenges both internal and external highlighted above, all of which have since been managed. The bank will continue to engender trust which is key for deposit mobilization.

We want to thank our partners that has continued to support the bank towards its agenda of Putting Women First and enabling sustained growth of the bank's key sectors like agriculture particularly micro, small and medium enterprises. (MSME)

Key milestones

Following the revision of the minimum capital requirement for all banks, Finance Trust Bank was for the greater part of 2023 engaged in the process of ensuring that the bank complies to the new capital requirements. This process required FTB to find a new investor to partner with, this partner is Access Bank PLC (Access Bank) subject to approvals from the Central bank of Nigeria (CBN) and Bank Of Uganda's approval.

This partnership was made public during a joint press statement released on the 18th January, 2024. Upon completion of this process, this strategic alliance will fortify our position in the financial landscape and enable us to offer a broad array of innovative services and products.

During the year the bank upgraded its core banking system to an agile and more flexible system that allows innovation and interoperability. This scalable system has paved way for collaboration and enhancement of service delivery both now and in the future. Enabling third party interfaces and aggregation with key innovative platforms to offer more value to the customer and create more efficiency.

Relatedly, the bank digitized its loan process with an aim of enhancing its operational efficiency in the credit business. The e-Los platform enabled the bank to customize the loan process that allows for real time loan analysis, capturing of collateral and business locations which is critical for making loan decisions. With this platform, the bank is poised to offer quick turnaround time in access to credit for our customers.

During the same year the bank undertook a cultural transformation process to establish a new culture that would support the business through a coherent and consistent behavior – a way of doing things hinged on the key values of culture that was wrapped into an acronym CLEAR Growth that stands for Communication, Leadership, Execution, Accountability and Respect. The CLEAR Growth culture will greatly complement the core values of the bank and reinforce the foundation once again for engagement of teams to realize the strategic and operational objectives of the bank.

The bank also made great advances in the alignment of the organizational structure that commenced in 2022. The objective of ensuring that the workforce operates harmoniously to create more value and proper alignment to deliver the Bank`s strategic objectives is being realized. Whereas internally the exercise opened opportunities for promotions, externally the bank was able to attract key talent from the market. Additionally, focus was laid on building capabilities and offering specialised support to all teams to quickly adapt to the changing business needs of the Bank. We envision increased competitiveness in the industry and better service delivery to our customers.

Partners

We salute our business partners for the continued support that has invigorated our appetite through various interventions geared towards driving our business objectives.

We further appreciate the continued partnership with Nnabagereka Development Foundation through the annual Ekisaakaate children's camp organized by Her Royal Highness the Nnabagereka of the Buganda. This partnership allows the bank to make a significant contribution to nurturing youth into responsible and well cultured individuals ready to make a positive impact to the development of the country.

The bank continued its journey of Putting Women First as enshrined in the foundation principles of its founding members and continues to champion the agenda of ensuring women's economic and social empowerment. Through its collaboration with Uganda Women Trust (UWT), FTB has continued to reach out and empower women at the bottom of the pyramid with banking services. We commend the mobilization strategies and efforts that UWT has put in place to bring women to the banking fore thus directly enabling the bank to complement and further its agenda of uplifting the livelihoods of women.

Furthermore, they year saw the bank venturing into a partnership with Federation of Uganda Football Association (FUFA) that culminated into a sponsorship of the Women in Football Bonanza. This annual activity, that edifies and recognizes women's impact in sports, particularly in football, is aimed at creating more awareness, drawing more participation of young girls in the game of football. This partnership reinforces our commitment to supporting activities and causes aimed towards women empowerment.

I convey my hearty appreciation to the Finance Trust Bank family that I lead for the milestones achieved during the year 2023 and the zeal to work tirelessly to position the bank, through the application of their skill in readiness to take on the market and grasp the opportunities that the future holds.

Finally, i wish to extend my gratitude to the Board of Directors for its patronage and strategic foresight that has enabled management to move in the right direction and the regulators for the continued guidance that has enabled the bank to register key milestones.

Outlook 2024:

The bank is ready to harness the opportunities that the future is laced with.

As consumer behavior on the financial landscape is constantly shifting, our innovations as a bank will be tailored to offer more options for access as a gateway to financial inclusion and more sustainable growth.

EXECUTIVE & SENIOR MANAGEMENT TEAM

Annet Nakawunde
Managing Director

Annette Kiggundu
Executive Director

Patricia Kemirembe Katende
Company secretary / Head Legal

Sarah Gwokyalya
Chief of Operations

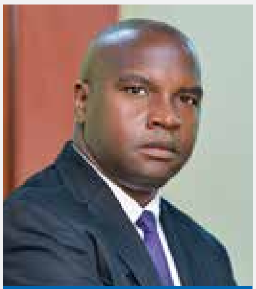
Percy Paul Lubega
Head of Marketing and Corporate Affairs

Andrew Agaba
Chief of Business

Francis Wasswa
Head of Strategy, Projects and Product Development

Lawrence Filly
Head Business Technology

Christine Namata
Head Finance



Fredrick Muyanja Musoke
Head Internal Audit

Claire Muyama Nataka
Head Human Resource

Ali Lwanga
Head Credit

Martin Acegere
Head Risk

Rachael Nantongo
Head Banking Operations

Isa Mukasa Kikomeko
Head Treasury

Evelyn Bigabwa Komuhimbo
Ag. Head Compliance

TRUST
WASH
LOAN

Empower Women with Our Water and Sanitation Loan.

At Finance Trust Bank, we understand the pivotal role women play in their communities. Our Water and Sanitation Loan is designed to empower women by providing access to safe, clean water and improved sanitation facilities. Join us in building a healthier, more vibrant future for all.

Our Strategy

The FTB strategy is designed to fulfill our mission of efficiently delivering a range of highly competitive financial services to our customers especially women

Finance trust Bank operates a commercial retail-funded business model that has a high share of loans on the balance sheet and high reliance on stable funding sources including deposits. As such the Bank's Corporate strategy is aligned to the Business model.

The Bank has a five-year rolling plan (Strategic Plan 2024-2028) that is born of an extensive consultative process with Staff, Management and Board of Directors. The engagement done offers confidence in the assessment of the opportunities and threats, internal capabilities and capacities on which the strategic choice and intent was based.

The Bank's strategy is anchored by six strategic pillars which ensure that the bank affords attention to balancing strategic growth, technological advancement, structural transformation, and sustainability.

i	ii	iii	iv	v	vi
Growth and Expansion	Customer Experience Focus	Optimize Technology with Digitalization and Data Analytics	Culture and Human Capital	Focus on Women	Risk Management

Inputs

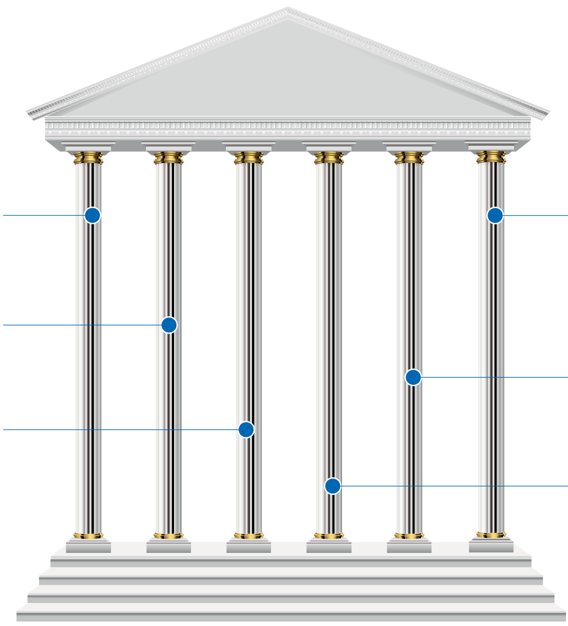
Human Capital	Intellectual Capital	Manufactured Capital	Financial Capital	Social Capital
• 887 Employees • Training and Development • Focus on health and Work conditions • Diversity and inclusivity	• Skills, Knowledge and experience • Business and Core values	• Property and equipment • Branches and equipment • Purchased service	• UGX 68.5 Bn Equity • UGX 276.7 Bn Deposit • UGX 291.4 Bn loans and advances	• Primary Customer growth of 527,980 • Partnerships

Winning Aspiration

Creation of value for Customers by embedding ourselves in their financial lives

Our Purpose

To provide sustainable financial solutions to our clients, especially women with the aim of transforming households and economic livelihoods while at the same time strengthening our position in the local industry to achieve greater levels of sustainability year after year



Our Priorities

Focus On Women
To increase the number of women accessing the bank`s services

Customer Experience
Improve the overall customer experience with the bank Brand

Business Growth
Maintain Quality of Portfolio , Grow NFI of total Income, Grow the loan book, Deposits and Profits

Our Enablers

Optimize Technology With Digitalization & Data Analytics
Optimization of technology resources
To pursue digital transformation and data analytics as part of the bank's core DNA

Risk Management
Promote and sustain a culture of effective risk management and compliance in the bank

Human Capital And Culture
To ensure staff capabilities meet business requirements and enable attainment of better business performance.

Our Business Model

Providing convinient banking services suited to our target clientele
Our Promise is to Delight our customers with an excellent experience

Individuals		• Personal Banking services • Deposit and Loan Products • Human assisted Banking Services • Digital Banking Services
Enterprises		• Business Banking services for Micro Medium, Small and Large Enterprises • Deposit and Loan Products • Human assisted Banking Services • Digital Banking Service
Corporate Entities		• Corporate Banking service solutions • Tailored Relationship Management • Human assisted Banking Services • Digital Banking Service

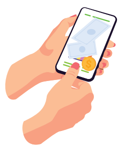
Our Product Offering

	Retail Banking	Business Banking	Institutional Banking
 **Saving**	Trust Savers Account Halal Savings Mama Safe Savings Account Salary Account Current Account Youth Savers Junior Savings Account Fixed Deposits	Trust Savers Company Account Halal Business Agent Float Account Current Account Fixed Deposits	SACCO Savings VSLA Account Mama Safe Group Savings Account Investment Club Account
 **Credit**	Agriculture Loans Personal Loans Loan Ku Simu (Digital Loans)	Business Loans Trade Finance Overdraft Facilities	
 **Insurance**	Life Insurance General Insurance	General Insurance	
 **Value Added Services**	Debit Cards Payment Services Money Transfer Mobile Money & Super Agency		

Channels and Services

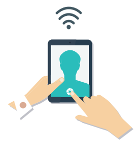
Branch Channel


Internet Banking Channel


Mobile Banking Channel


Agent Banking Channel

ATM Channel


ELOS Channel

Statement on Corporate Governance

Risk Governance

Effective risk management requires company-wide risk governance. The Bank`s risk and control structure is based on a Three lines of defense governance model. Each line has a specific role and defined responsibilities, with the execution of tasks being distinct from the control of these same tasks. The three lines work closely together to identify, assess, mitigate, and monitor risks.

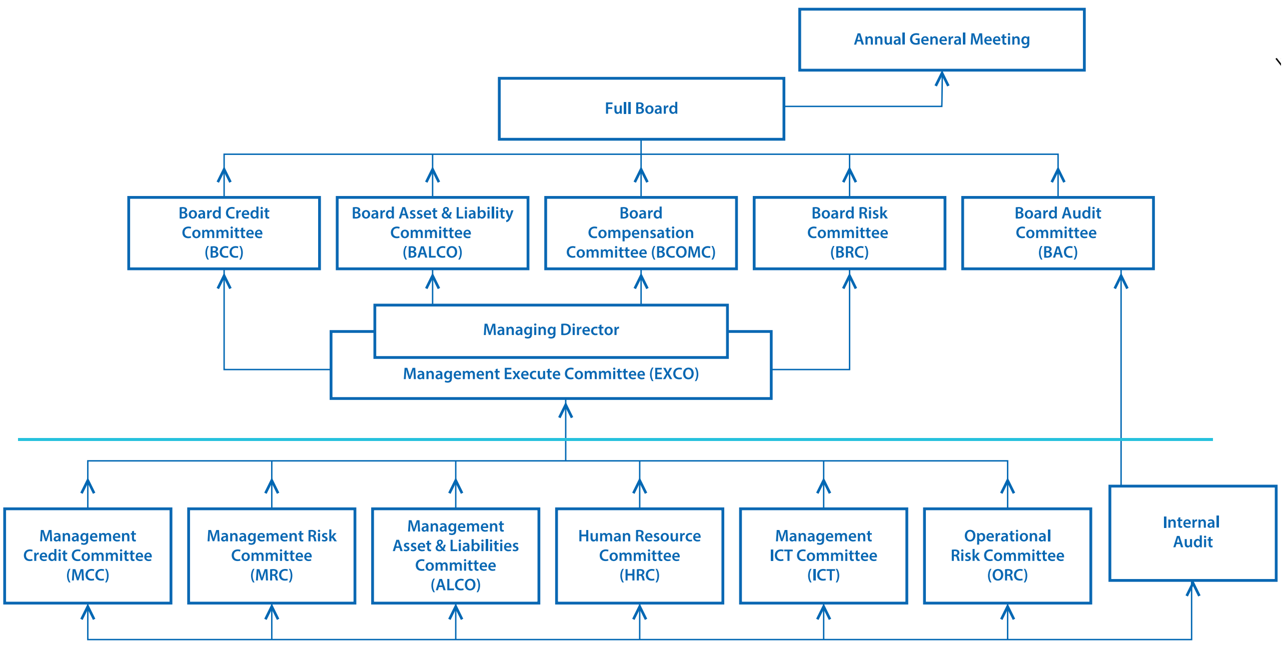
Board of Directors/Supervisory Board | **Regulators**

Senior Management

Executive committee	*Risk Committee*	*Audit Committee*	
First line	**Second line**	**Third Line**	
Risk management and management control	Risk control and Compliance - "countervailing power"	Independent assurance	External auditors
Management functions with a focus on specific risks	Management functions with independence and a focus on risk oversight	Independent function with a focus on the effectiveness of governance, risk management and controls.	
Ownership, responsibility and accountability for identifying, assessing, managing, mitigating risk inherent in the business processes.	Monitors, challenges and advises on the implementation of risk management practices to ensure first line is adequately designed. Monitors and reports risk profiles with appropriate consequence management.	Providing independent assurance to senior management and the Board over the effectiveness of achieving risk management and control objectives within the first and second line.	

The Bank has a unitary (one tier) Board structure, in which there are Executive Directors and Non-Executive Directors. The Board structure provides for balance of power and authority and ensures separation of the primary roles of Governance and Managing of the company between the Board and Management.

Fig 1: Finance Trust Bank Governance structure:



The Board of Directors

The Board of Directors is primarily responsible for providing oversight of the bank's business as well as managing risk which mandate is discharged through approval of business policy frameworks that enable management effectively run the business operations.

The Board is comprised of Directors with varying professional and academic backgrounds and operates through committees which oversee and report to it the key portfolios managed within the bank to ensure achievement of the strategic objectives.

The Board committees are chaired by Independent Non-executive directors.

The Board of Directors meets on a quarterly basis. There is a clear division of responsibilities which ensures a balance of power and authority between the Chairperson, who controls and directs the Board Meetings, and the Managing Director, who leads the management team.
The Bank registered changes in its Governance structure in 2023 seeing all committees assuming Independent Non-Executive Directors at the leadership level.

The Board also welcomed a new Independent Director Christine Kawasiima who chairs the Board Audit Committee.

Balanced & Diverse Board Composition

As at 31st December, 2023, the Board of Directors comprised 13 members whose profiles and background are presented on pages 13 -17.

The Board of Directors has a balanced composition of Independent and non-independent directors..

Total number of Directors	13
Independent Non-Executive Directors	4
Executive Directors	2
Women	7
Nationality/ Geographies of Origin	5

Board Trainings

The board has an annual training and development programme to help directors continue to develop skills and increase their understanding of the Bank and Financial industry, taking into account their experience and expertise. The board chooses contents based on feedback from its members and supervisory and regulatory requirements, among others.

In 2023, the following programmes were undertaken by the all the directors of the Board.

- Essentials of ESG for Banks, Foundational level for Corbit 2019.
    - Corporate Governance- The Navigation System During Economic and Geopolitical Uncertainty.
    - Revised Corporate Governance guidelines in the Banking Sector Regulatory compliance and compliance risk review.
- ESG, with a focus on regulatory and supervision requirements
- Anti-Money Laundering Regulations, Financial crime compliance, bribery and corruption risks, and sanctions.

Board Priorities 2023

In 2023, the Board addressed a breadth of matters relating to the business of the Bank as follows.

- Business performance: Regularly received management reports on the performance of the Bank's business areas, strategy, and other related matters.
- Risks: Received regular holistic risk and compliance reports within the framework of the risk governance model and paid specific attention to monitor the credit risk impact relating global disruptions as well as other macroeconomic developments.
- Capital and liquidity: Received regular reports on capital Adequacy ratios and the Bank`s strategic risk proneness given its non-compliance to the Regulatory minimum capital requirements.
- Supervisors and regulatory matters: Reviewed regulatory developments, the yearly supervisory audits to ensure compliance with supervisory recommendations and regulatory requirements.
- Strengthen the Bank`s preparedness and resilience to the increasing landscape of technology risks in its business.

The Chairpersons of the Committees are as indicated below:

Committee	Current Chairperson	Past Chairperson	Membership
Assets and Liabilities	Dr. Albert Richards Otete	Lydia Koros	5 Non-Executive Directors 2 Executive Directors
Audit	Kawasiima Christine	Dr. Albert Richards Otete	3 Independent non-Executive Directors
Risk	Dr. Albert Richards Otete	Tor Gull	4 Non-Executive Directors 2 Executive Directors
Credit	Gervase Ndyanabo	Grace N. Aliakai	5 Non-Executive Directors 2 Executive Directors
Compensation	Gervase Ndyanabo	Mary Ochan Oduka	5 Non-Executive Directors

BOARD COMMITTEE COMPOSITION - AUGUST 2023

No.	Board Assets and Liabilities Committee	- BALCO	Title
1.	Albert Richards Otete		Chairperson
2.	Loic de Canniere		Member
3.	Mary Oduka Ochan		Member
4.	JL de Montesquiou		Member
5.	Lydia Koros		Member
6.	Annet Nakawunde		Member/MD
7.	Annette Kiggundu		Member/ED

No.	Board Compensation Committee	- BCOMC	Title
1.	Gervase Ndyanabo		Chairperson
2.	Robert Kirunda		Member
3.	Mary Oduka		Member
4.	JL de Montesquiou		Member
5.	Christine Kawasiima		Member

No.	Board Risk Committee	- BRC	Title
1.	Albert Richards Otete		Chairperson
2.	Grace Aliakai		Member
3.	Loic De Cannière		Member
4.	Tor G. Gull		Member
4.	Annet Nakawunde Mulindwa		Member/MD
5.	Annette Kiggundu		Member/ED

No.	Board Credit Committee	- BCC	Title
1.	Gervase Ndyanabo		Chairperson
2.	Grace Aliakai		Member
3.	Tor G. Gull		Member
4.	Robert Kirunda		Member
5.	Lydia Koros		Member
6.	Annet Nakawunde Mulindwa		Member/MD
7.	Annette Kiggundu		Member/MD

No.	Board Audit Committee	- BAC	Title
1.	Christine Kawasiima		Chairperson
2.	Gervase Ndyanabo		Member
3.	Albert Richards Otete		Member

Board Evaluation

The board undergoes a yearly assessment of its performance and effectiveness, composition, quality of its work and individual performance of its members. The review includes its committees. The evaluation is conducted by an external consultant, whose independence is verified by the nomination committee. In 2023, the review was conducted by an external independent consultant and the results were extensively discussed and addressed by the Board.

Annual Board Evaluation

The annual board effectiveness review is key in our governance model and allows us to verify the quality and effectiveness of our governance bodies functioning. We periodically enlist the help of external independent advisors for the annual board effectiveness review, who enrich the outcomes with objective contributions. We also review individual and collective skills to ensure the board's competence and diversity are sufficient for it to function effectively and hold management to account through constructive challenge.

In 2023, the Board Compensation committee monitored execution of the action plan resulting from the 2022 internal board effectiveness review, which was successfully completed. In addition, the board conducted its annual effectiveness review in 2023 with the collaboration of an external independent firm-BNM Advocates, covering its structure, organizational and functional model, dynamics and internal culture, depth of challenge, embeddedness of previous review outcomes, committee performance, as well as each director's performance and contribution. Both the areas for improvement and the recommendations were reviewed by the nomination committee and the board of directors in January 2024. With the Board evaluation undertaken last year, we have taken deliberate steps to review and enhance Board efficiency and effectiveness. We have streamlined decision-making processes, facilitated better communication among Board members, and empowered the committees and Board members with well-defined roles and responsibilities, all of which contribute to a more dynamic and responsive governance framework.

Management Executive Committee

The Management Executive committee is responsible for implementing the approved strategies and policies in a manner that limits risks associated with the corporate strategy in a sustainable manner. Management is fully involved in the activities of the Bank and possess sufficient knowledge of all major business lines to ensure that appropriate policies, controls and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated and complied with. The Management Executive committee is also responsible for establishing and communicating a strong awareness of and need for effective internal controls and high ethical standards.

Risk Management Department

The bank has an independent risk management function that coordinates the implementation of the risk management processes within the Bank. The department which is headed by the Head of Risk reports to the Board Risk Committee on a quarterly basis and monthly to the Management Risk Committee.

The Risk Management Department pro-actively identifies, analyses, evaluates and develops treatment options and risk acceptance criteria for different risks. The Risk Management Department ensures that the Bank takes risks that are warranted i.e. risks that are understandable, measurable, and controllable and within the Bank's risk bearing capacity to readily withstand adverse results.

The Risk Management department is responsible for the coordination of development of policies & procedures and ensuring an adequate internal control environment that encourages mitigation of risks is in place. This is complemented by risk awareness and sensitization across all levels aimed at cultivating a culture of risk consciousness.

The Risk department together with the compliance department constitute the second line of Defence as per the assurance hierarchy. They support management in ensuring that adequate controls are in place and all risks are managed appropriately and effectively.

Business Units

The Business units who are the first point of contact of the different risks have the responsibility of recognising, acknowledging, and mitigating the risks inherent in the various activities they engage in. They are responsible for ensuring that appropriate controls are consistently implemented to mitigate the risks that they interface with daily.

The business units are the first line of defence and are the process owners that generate and are responsible for management of risks on a day-to-day basis. They are tasked with the execution of a comprehensive internal control system.

Internal Audit

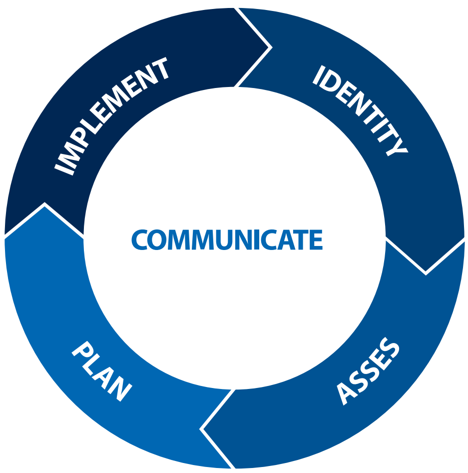
Internal Audit is mandated by the Board to provide independent and objective assurance and advisory services designed to add value and improve operations. Internal Audit provides assurance to the Board and Executive Management on the effectiveness of governance practices, risk management and controls designed to mitigate risks.

The internal audit function constitutes the third line of defence and provides assurance to senior management and the Board that the first- and second-lines' efforts are consistent with expectations.

Risk Management process

The Bank manages risk through coordinated set of activities for identifying, analyzing and evaluating whether the risk should be modified by risk treatment in order to satisfy its risk criteria.

The Banks risk management process is initiated through establishment of the context of risk management. By establishing the context, the Bank articulates its objectives, defines the external and internal parameters to be taken into account when managing risk, and sets the scope and risk criteria for accepting the risk. Determination of the scope of risks is followed by risk identification, assessment, treatment, and monitoring.



Risk identification: Involves finding, recognizing, and describing the risks that could influence the achievement of the bank's strategic objectives. It considers a 360 degrees approach since every delivery channel, product and service offered by Finance Trust Bank has a unique risk profile composed of multiple risks.

Risk Assessment: Involves analyzing and evaluating the likelihood and consequences of each identified risk and deciding which risk factors will potentially have the greatest effect and should, therefore, receive priority regarding how they will be managed. The level of risk is analyzed by combining estimates of likelihood and consequences, to determine the priority level of the risk.

Risk treatment: Involves identifying the range of options for treating the risk, evaluating those options based on significance of the risk, whether the cost of the option is commensurate with the benefits of treatment, preparing the risk treatment plans and implementing those plans. The bank adopts the following four strategies in treatment of identified risks: Risk Transfer, Risk Avoidance, Risk Reduction and Risk Acceptance.

Risk monitoring: Risks generally do not remain static and the factors that may affect the likelihood and consequences of an outcome may change, as may the factors that affect the suitability or cost of the various treatment options. Monitoring ensures that the bank modifies or changes the risk treatment strategies as the risks evolve.

Risk communication: reporting to the stakeholders of the Bank.

Risk Profile

Strategic Risk:

The risk of current and prospective impact on the Bank's earnings and capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the industry and operating environment.

The bank is affected by exogenous and endogenous factors that shape the implementation of the strategic plan and its long-term going concern. The operating environment which characterizes the exogenous factors registered improvement mainly driven by global economic recovery albeit slower than projected.

This was mainly on the account of the improvements in production and supply chains from China following the containment of Covid-19 and the opening of alternative supply chains to replace those affected by the Ukraine-Russia war. The improvement in the global economy resulting from the aforementioned factors was however retarded by the Israel - Palestine war which led to longer trade routes leading to increase in foreign exchange rates and consequently negatively affecting the easing of global inflation with profound effect on the cost of doing businesses. In a bid to contain inflation, rates on Treasury instruments in developed economies remained relatively high and hence attractive to offshore investors affecting liquidity on the local market. In line with global trends the Bank of Uganda maintained the Central Bank Rate at 9% to curb the inflationary pressures affecting the cost of funding on the money market. Resultantly, the demand for the bank's services from enterprises and households were negatively affected with the loan book growing marginally and the deposits portfolio contracting leading to slump in profitability.

Following the revision of the minimum paid up capital for Tier I banks in Uganda in 2022 from UGX 25bn to UGX 150bn by June 2024, the Bank and Access Bank PLC announced the signing of a definitive agreement for Access Bank's equity investment into FTB. The deal will also see Access Bank concurrently acquiring the shares currently held by FTB's institutional shareholders who have sought the exit to a strategic, long-term shareholder. The transaction is subject to regulatory approvals by the central Bank of Nigeria and Bank of Uganda and is expected to close in the first half of 2024, following the fulfillment of customary conditions precedent.

Credit Risk:

The risk of loss arising from failure by a borrower or counterparty to meet their obligations as per the terms and conditions.

The Bank's biggest source of credit risk is the loans and advances portfolio driven majorly by on balance sheet exposures. The Bank registered a significant improvement in its loan quality in comparison to the previous year's performance on account of enhancements in credit risk management. The bank put in place a fully-fledged Recovery department to accelerate recovery of past due loans coupled with extensive capacity building especially in Agric-lending to address the challenge of poor structuring of Agroproduction loans which exposed the bank in the year under review. The Bank's ratio of Non-performing Assets to total gross loans portfolio improved from 6.6% in Dec 2022 to close at 3.8% in Dec 2023.

Unfortunately, the bank registered an upward shift in written off bad loans driven by one off incident were an organized criminal cartel with the help of one of the Bank's empaneled valuation and survey firms, forged and overvalued collaterals pledged as security to the bank for loans amounting to UGX 3.02bn. The Bank took the decision to subjectively write off the loans due to the remote chances of recovery and pursued recovery through legal and other means. Following the incident, the Bank undertook a review of the panel of valuation and survey firms and amended the process for requests for valuation of collaterals to increase control by the Credit department.

The bank maintains a well-diversified loan portfolio with all sectors operating within the Board approved limits. Business and Agriculture loan products represent the bank's target niche market hence a combined share of more than 75% of the loan portfolio. The bank continues to register growth in the consumer loans products due to its deliberate portfolio diversification strategy coupled with the increasing demand for consumer credit in line with the changing population demographics.
Counterparty credit risk that arises from the bank's trading positions remains low on account of the strong rating of the counterparties that the bank trades with.

Operational Risk:

The risk of loss arising from failure or inadequacy of people, internal processes, systems and external events. Inherent operational risk is high for financial service providers given the varied points of failure due to large number of service points, several processes to deliver services and risks associated with people including moral hazards, high staff turnover in the financial services industry.

Suffice to note that the biggest driver of operational risk in the banking industry is people risk characterized by high staff turnover and fraud risk. In line with industry trends, the Bank suffered a relatively high staff turnover ratio of 13% inclusive of both regrettable and non-regrettable exits. Staff exits have the effect of increasing the direct cost of recruitment, leads to allocation of valuable time that would otherwise be earmarked for business generation activities, increase in the cost of training, increased error rates as new recruits learn the craft and loss of business opportunities.

The largest driver of regrettable staff exits include seeking opportunities for career advancement and better remuneration and benefits; while non regrettable exits are due staff exits arising from poor performance and involvement in fraudulent activities. The largest proportion of frauds registered in the Bank are perpetrated by staff and are mainly in the form of suppression of loan instalments meant for client loan payments. To mitigate the people risks, the bank embarked on implementation of the recommendations of the Job evaluation exercise that was concluded in Quarter 4 of 2022 including alignment of the organizational structure to the business, review of remuneration and benefits and solidifying the bank's succession plan with focus on improving internal staff capacity to take up vacant positions on first priority and only consider external candidates were the required skill set is not available in the bank.

The Bank is cognizant of the importance of leveraging technology and invested in automation of processes for support operations and Straight Through Processes for business operations with immediate short term benefits of improving customer experience and anticipated long term value relating to displacement of customer transactions from the Brick and mortar banking halls to electronic and online banking channels to reduce the cost of delivering service to clients without time and border restrictions.

In line with the annual trends in the local banking industry, the company registered an increasing trend in the legal suits filed against the bank, albeit majority are frivolous in nature. These are mainly filed by distressed borrowers impending the loan recovery processes and are dismissed. Whereas these are more often than not dismissed, the impact on the bank in terms of legal costs for managing the suits and time that would otherwise be used for other business operations negatively affects the bank.

Technology and Cyber Risk:

The Risk of loss resulting from inadequate or failure in Information Technology Systems leading to disruptions. Technology risks may manifest through cyber attacks, service outages, obsolete equipment and software that do not support business operations among others.

World over, the incidences of cyber fraud both in number and value are on an increasing trend. The bank prioritizes the importance of having secure and reliable Information Technology platforms to support the delivery of its objectives and as such continuously invests an acceptable portion of its budget in the latest technology and the human resources responsible for the management of Information Technology assets.

During the year, the bank upgraded its servers, replaced its Information Technology connectivity infrastructure, and revamped its online applications. Importantly, the bank concluded the upgrade of its core banking system with Open API capability to increase interoperability with other systems. As is with new systems, the bank registered challenges after Go-Live such as intermittent system downtime, system slowness and inadvertent malfunctions. Majority of the system malfunction issues were addressed with minimal issues under resolution by the system vendor while the system intermittence and slowness were exhaustively addressed. Resultantly, the uptime for the Bank's systems by the close of the year was commendable with NO cyber fraud incident registered.

Whereas the Bank has invested optimally in the latest technologies, an uninformed staff complement is a weak link in the cyber security defense armory thus can be exploited to negatively impact the bank's reputation and earnings. In recognition of the threat, the bank has enrolled its staff on an online refresher IT security training to upskill the staff in IT risk management.

Liquidity Risk:

The risk of potential difficulty an entity may face in meeting its short-term financial obligations at the right time and currency due to an inability to convert assets into cash without incurring a substantial loss. Financial obligations may include supplier, dividend and employee salary payments while other uses for liquidity may include regulatory compliance, honoring customer withdraws and extending of credit to clients.

Over the course of the year, the bank maintained favorable liquidity ratios within the regulatory and internal limits despite the pressure exerted by the growing loan book amidst the stagnating current and savings accounts deposits. It is worth noting that the deposits position was largely supported by the release of funds for the Parish Development Model; a government initiative designed to improve the economic conditions of households at each Parish through disbursements to organized SACCOs. Whereas the Bank was and remains a key participating institution in the PDM, the funds are transitory in nature and characteristically are not held on accounts for long. Resultantly, to bridge the deposits gap.

With the Central Bank focused on keeping inflation within the target of 5% amidst the external global inflationary pressures, the Bank of Uganda raised and maintained the Central Bank rate at an average of 9% for most of the year which influenced interbank and Treasury Bill rates upward hence making them very attractive to investors at the expense of commercial banks. Resultantly, at the various auctions, Treasury instruments were oversubscribed with Bid To Cover (BTC) ratios of over 1.0, showing preference for Government paper by investors.

The preference for Government paper edged market rates upwards and coupled with the increased appetite for Term deposits to bridge shortfalls in current and savings accounts deposits catapulted into increased cost of funding for the bank.

Market Risk:

The risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments caused by adverse movements in market variables such as equity and commodity prices, and currency exchange and interest rates.

Interest rate risk:

Generally, the Bank maintained a positive short term interest rate gap within the recommended regulatory and internal limits for the year 2023 except for Dec 2023 where the bank registered a negative gap but within the recommended limits. The positive gap implies that in the regime of increasing interest rates, the net effect of repricing rate sensitive assets and rate sensitive liabilities would be a net positive effect on the bank's interest margins for parallel shifts in the interest rates.

Foreign Exchange risk:

The bank's exposure to changes in foreign exchange rates is low on account of the small value of assets and liabilities domiciled in foreign currency. Over the course of the year, the bank held mostly net long positions leading to revaluation gains from Foreign Exchange trading operations as Foreign Exchange rates were kept high due to the Israel – Palestine war in the middle east coupled with preference for offshore investors to invest the hard currency in Treasury instruments for developed countries that offer high interest rates as the developed economies strive to offset global inflationary pressures.

Compliance risk:

The risk of legal or regulatory sanction or financial loss or damage to resulting from failure to comply with laws, regulations, codes of conduct, internal policies, and standards of good practice applicable to its financial activities.

Throughout the year, the bank maintained high compliance levels to both regulatory and internal compliance requirements and did not suffer penalties or any sanctions due to regulatory breaches. The bank complied with all regulatory requirements except the revised minimum paid up capital requirement of UGX 120bn as of Dec 2022. Over the course of the year the bank was rated Fair by the central bank with the ratings mainly affected by the Capital adequacy rating that was rated Weak for most of the year due to the breach in the minimum paid up capital requirement.
There were several regulatory guidance notices issued in the year reflecting stricter compliance requirements for regulated financial institutions considering the evolving risk landscape in both the local and global banking industry increasing the cost of compliance.

Reputational Risk:

The risk of potential or actual damage to the Finance Trust Bank's image which may impair the profitability and or going concern of its business.

The bank maintains a strong brand image in the market driven by its vision and mission with focus on women who hitherto were excluded from the financial services space. The Bank did not suffer adverse publicity in the year under review.

Environmental, Social and Governance Aspects

The risk to Finance Trust Bank's ability to achieve it's strategy and remain a going concern arising from direct and indirect impacts on the environment, society, and governance.

We are cognizant of the potential impact of environmental degradation on our business and strategic goals. With our focus on extending financial services especially to women who majorly are involved in agricultural activities, we fully recognise the importance of sustainable usage of the environment in impacting the societies where we operate. The Bank developed an ESG framework with performance indicators to extend its agenda beyond financing and demonstrate its commitment to sustainable operations. The Bank continuously seeks for partners to support it in this agenda and on boarded Aceli who incentivize Agricultural financing that meets ESG criteria.

E	**Environment** FTB as a Responsible Environmental Citizen	• Bank's carbon footprint reducing through digitalization • Environmentally-conscience lending (enforcing exclusion lists)
S	**Social** FTB Impacting Livelihoods	• Conducting CSR in communities • Financial Literacy for our customers • Partnerships to promote social agenda for especially women • Grievance Redress mechanism in place
G	**Governance** Standardized Governance practices at FTB	• Drive ethical culture, conduct and behavior. • Aligning to standards and frameworks • Integration of ESG in governance and core activities and enhancing capabilities accross teams including business, Risk management and Data reporting

Internal Capital Adequacy Assessment Process

It is the articulation of the capital management processes within the Bank and an internal assessment of the level of capital required to be held, against all risks the Bank is or may become exposed to, to meet current and future needs considering the ever-changing operating environment. The ICAAP forms the basis of the Supervisory Review and Evaluation Process (SREP) discussions with the Bank of Uganda.

The Internal Capital Adequacy Assessment Process is owned by the Board and conducted by Management. The process is reviewed by the Internal and External Auditors for completeness.

The ICAAP is based on the current strategic plan which includes a forecast for the next five years 2024 to 2028, which has estimated growth in deposits, loan book, Investments portfolios and other strategic growth aspirations. The assessment for capital required to cover risks for the projected business plan for 2024 indicates that the bank's current capital resources are inadequate to cover the anticipated risks.

Relatedly, the bank was yet to comply with the revised minimum paid up capital requirement of Ugx 120bn as at Dec 2022 and Ugx 150bn as at Jun 2024. The Bank and Access Bank PLC announced the signing of a definitive agreement for Access Bank's equity investment into FTB. This equity investment once concluded, shall cover the capital deficiet identified in the Internal Capital Adequacy Assessment Process.

Business Ethics & Integrity

Our culture including the risk culture informs the behaviours we share across the Bank. We aim to act with utmost integrity at all times and encourage all employees to speak up and report concerns, guarding against corruption and financial crimes as well as managing the business transparently.

Code of Ethics & Conduct

Finance Trust Bank hinges its business conduct on trust and reputation in line with its values and ethics. The Code of Ethics and Conduct is instituted in place that binds all directors and staff to ensure that business is carried out in an ethical and transparent manner and is aligned with the local regulations and best practices.

Whistle Blowing Policy

In order to enhance good governance and transparency, the Bank has a Whistleblowing Policy providing several channels for raising concerns related to fraud, corruption, and staff misconduct, and provisions to protect whistleblowers from retaliation. It is our policy to follow up on reports, with an emphasis on protecting the identity of the whistle blowers. Regular reviews of the policy are conducted to standardize the process through which whistle blowing is conducted. The Bank continues to encourage its employees and other stakeholders to speak up.

Awards

An equitable work environment earns Finance Trust Bank an award.

On the 8th of December 2023 at Serena Hotel, Finance Trust Bank was awarded the silver seal award for the Gender Equality Seal (GES) upon successful completion of the external assessment exercise that is part of the certification programme for private enterprises. The award ceremony was organised by the United Nations Development Programme (UNDP) Uganda in collaboration with the Private Sector Foundation Uganda (PSFU) and Ministry of Gender, Labour and Social Development.
The Gender Equality Seal is a certification program supported by the United Nations Development Programme (UNDP). Its goal is to promote gender equality within private enterprises by integrating gender-sensitive practices into their work environments and business strategies. The GES aligns with Goal Five of the 17 Sustainable Development Goals (SDGs), which focus on achieving gender equality and empowering all women and girls.

Finance Trust Bank was recognised by Uganda Revenue Authority for its commitment and partnership in collecting and remitting of taxes from various stakeholders.

Finance Trust Bank's Manager Human Resource receives a trophy at the 2023 Banker's gala after the bank emerging 3rd overall. The banker's gala brings together members of the banking fraternity in sports competitions including off track and on track sports fields.

Stakeholder Engagements

Throughout the year, the Bank actively engaged with both internal and external stakeholders. Internally, activities centered on staff recognition, enhancing team cohesion and collaboration, while externally, the bank's emphasis was on enhancing brand awareness.

Championing of women in sports through strategic partnerships

Finance Trust Bank's commitment to promoting women's involvement in sports is a commendable effort that aligns with a growing global trend of supporting gender equality in all walks of life including sports.

The bank's sponsorships, such as those for the Uganda Women's Chess Tournament and the FUFA Women's Bonanza, are vital in providing opportunities for women athletes to showcase their talents and compete at higher levels.

These initiatives not only empower women within the sports community but also contribute to the broader goal of advancing diversity, equity, and inclusion in sports. The sponsorships are essential in providing a foundation for the bank to start leveling the playing field and ensuring that women's sports receive the recognition and support they deserve.

Mr. Percy Lubega, our Head of Marketing & Corporate Affairs poses for a photograph after announcing Finance Trust Bank's landmark sponsorship of the Women in Football Bonanza by FUFA.

Continued sponsorship of the Ekisaakate kya Nnabagereka

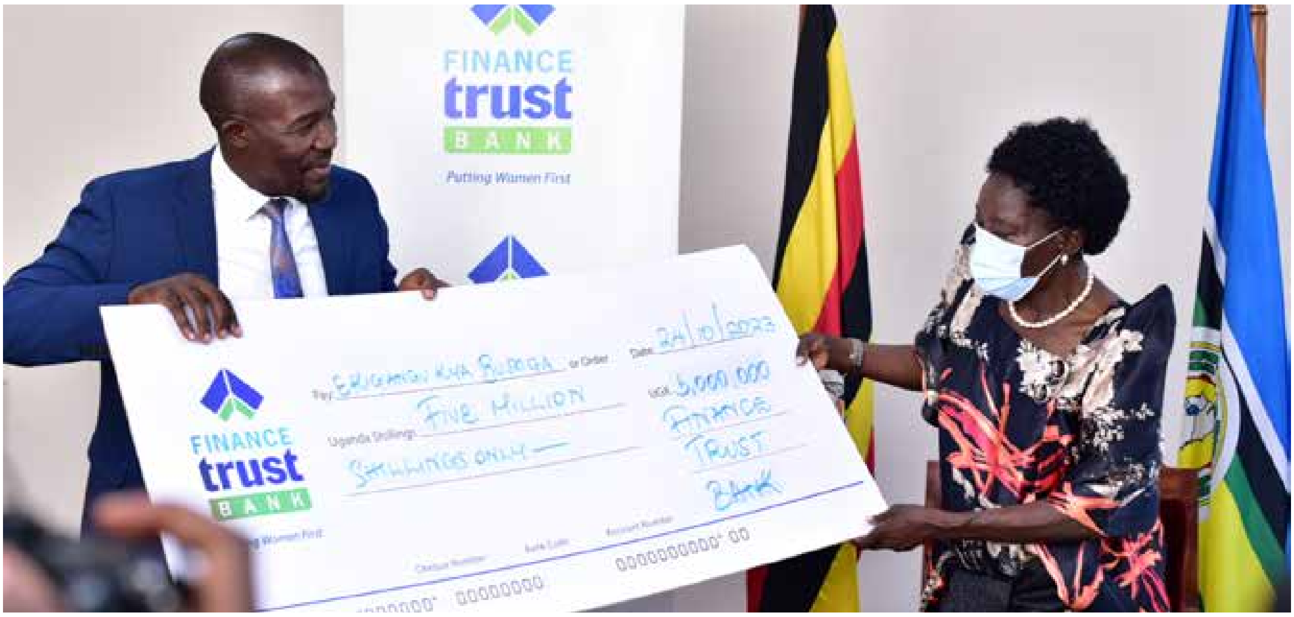
Finance Trust Bank remains a key partner of the Nnabagereka Development Foundation that runs the Ekisaakaate Kya Nnabagereka on an annual basis.

The Nnabagereka Development Foundation, was founded by Her Royal Highness Queen Sylvia Nagginda of Buganda Kingdom in 2000, to do charitable work for children, the youth, and women in education, health care, community development. The foundation runs an annual youth camp – Ekisaakaate Kya Nnabagereka that brings together children aged 6-18 on a program advances the tenets of Obuntubulamu– a set of corevalues for the wellbeing of self and others. HRH is passionate about transformational leadership, and is known to champion causes for empowering girls and boys including those with disabilities, the youth, and women.

The year's event was hosted at Muzza High School in Mukono district and brought together 1500 children aged 6 – 18 years, most of which were girls. As a bank that is interested in the prosperity of Ugandans, especially women, we believe that targeting youth and empowering them through financial literacy is key to eliminating poverty and its related ills. Ekisaakaate kya Nnabagereka offers the bank an opportunity to further its mission of improving livelihoods through access to financial services and offers the literacy required to children at this camp.

Sponsorship of the Ekigangu kya Busoga

Finance Trust Bank sponsored the Ekigangu Kya Busoga 2023 edition which run for a week at Rena College School in Mayuge Distrct. The Ekigangu Kya Busoga is an initiative of Busoga Kingdom for young people aged 9-25 and it was started to educate youth on their norms and culture, give them skills geared towards breaking the poverty cycle in the region. The bank partnered with Busoga Kingdom as part of its initiatives to train youth who are the current and future customers of the bank and offered financial literacy to the youth present at the Ekigangu. The bank made a donation to the kingdom intiative and this donation was received by Hon. Rebecca Kadaga – the patron of Ekigangu Kya Busoga who also serves as 1st Deputy Prime Minister and Minister for East African Affairs in Uganda.



Internal Engagements

Finance Trust Bank recognised the staff who devoted their time to development of the Nimble Banking Software and training of fellow staff in the new and agile software for banking operations.

Head Office staff participate in dance work out as part of the bank's activities to foster team cohesion and improve their health.

Staff at launch of the Culture and Transformation program dubbed CLEAR GROWTH

External Engagements

Finance Trust Bank had engagements with critical members of the muslim fraternity through joint prayers and donations of food stuff during EID celebrations .

Women Engagements

Finance Trust Bank leverages partnerships in its daily workings to ensure that there is proper usage and cascading of resources.

The bank through stakeholder engagements is able to find organised groups of women who then receive training, and other financial advisory as may be required from time to time.

Key groups like Savings and Loan associations, church founded Women's groups are looking for credible financial services and Finance Trust Bank is happy to educate these Women's groups giving them literacy on finances, as well as financial services including loans among other services. The bank's history is hinged on Women and will continue to thrive because of Women.

Financial Literacy and Collaboration: Finance Trust Bank collaborated with FIDA to improve financial literacy among women in Nakawa Market.

The bank continued to engage customers and non customers as part of basic research utilised for fine tuning its value proposition to women.

Finance Trust Bank donated two 10,000 litre tanks to the Mother's Union Resource Centre in Ntungamo - Ankole Diocese. The resource centre will serve as a safe space for women to acquire livelihood skills and financial literacy beyond the Spiritual resources offered by the diocese.

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCE TRUST BANK LIMITED

ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

TABLE OF CONTENTS

DIRECTORS

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

Dr. Evelyn Kigozi Kahiigi*	Chairperson
Mrs Annet Nakawunde Mulindwa*	Managing Director
Mrs. Annette Kiggundu Nansubuga*	Executive Director
Mrs. Grace Namulinda Aliakai*	Non-Executive Director
Mr. Kirunda Robert*	Non-Executive Director
Mrs. Mary Achan Oduka Ochan*	Non-Executive Director
Mr. Jean-Louis de Montesquiou****	Non-Executive Director
Mr. Tor G. Gull **	Non-Executive Director
Mr. Loic De Cannie're*****	Non-Executive Director
Mrs. Lydia Koros***	Non-Executive Director
Mr. Jeremy Hadjdenberg****	Non-Executive Director – Alternate to Mr. Jean-Louis de Montesquiou
Mr. David Ssenoga*	Non-Executive Director – Alternate to Mr. Tor G. Gull
Dr. Albert Richard Otete*	Non-Executive Director
Mr. Gervase Ndyanabo*	Non-Executive Director
Ms. Kawasiima Christine*	Non-Executive Director effective 17th July 2023

Ugandan * Finish ** Kenyan *** French**** Belgian*****

COMPANY SECRETARY

Mrs. Patricia Kemirembe Katende
Finance Trust Bank Limited
Block 6, Plot 121 & 115 Katwe
P. O. Box 6972
Kampala, Uganda

AUDITOR

Ernst & Young
Certified Public Accountants
Plot 18 Clement Hill Road
Shimoni Office Village
P. O. Box 7215
Kampala, Uganda

REGISTERED OFFICE

Finance Trust Bank Limited
Twed Plaza, Plot 22B, Lumumba Avenue
P. O. Box 6972
Kampala, Uganda

BRANCHES

Head Office	Kikuubo	Kamwenge
Central	Lwengo	Kabarole
Entebbe	Gomba	Pallisa
Mukono	Jinja	Arua
Lugazi	Iganga	Kitintale
Kayunga	Kamuli	Kalangala
Masaka	Busia	Nateete
Katwe	Tororo	Nansana
Nakivubo	Mbale	Kapchorwa
Kalerwe	Kumi	Mbarara
Owino	Soroti	Ishaka
Kampala Road	Ntungamo	Corporate

BANKERS

Bank of Uganda
Plot 17/19 Kampala Road
P. O. Box 7120
Kampala, Uganda

Centenary Bank
Plot 44-46 Kampala Road
P. O. Box 1892
Kampala, Uganda

Bank of Africa
Plot 45, Jinja Road
P. O. Box 2750
Kampala, Uganda

BANK'S SOLICITORS

Muwema & Co. Advocates & Solicitors
Plot 50 Windsor Crescent Road-Kololo
P. O. Box 6074
Kampala, Uganda

Nassuna & Co. Advocates
2nd Floor, Plot 50A-54A,
Block 668, Buganda Road Flats
P. O. Box 8728
Kampala, Uganda

ATNA Advocates
Church House 7th floor
P. O. Box 20039
Kampala, Uganda

Okalang Law Chambers
Plot 29 Bandali Rise Bugolobi
P. O. Box 29117
Kampala, Uganda

Muhumuza-Kiiza Advocates
and Legal Consultants
Plot 69 Spring Road - Bugolobi
2nd Floor Millenium Plaza
P. O. Box 29167
Kampala, Uganda

Nambogo and Co.Advocates
Suite B-12, 12th Floor
DTB Centre Plot 17/19 Kampala Road
P. O. Box 9071
Kampala, Uganda

AKN Advocates
Wing B, 3rd floor
Lugogo Bypass
P. O. Box 31014
Kampala, Uganda

Ligomarc Advocates
Plot 4 Jinja Rd 5th Floor-
Western Wing Social Security House
P. O. Box 8230
Kampala, Uganda

Signum Advocates
3rd Floor, Unicalo House,
Plot 11, Archer Road Kololo,
P. O. Box 100326
Kampala, Uganda

Bluebell Advocates
Plot 3a Bata Close, Design Hub Kampala Annex,
5th Street Industrial Area, Bugolobi
P.O. Box 28615
Kampala, Uganda

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of Finance Trust Bank Limited ("the Bank"). The financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the Companies Act, 2012 of Uganda and the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016 and Financial Institutions Regulations, of Uganda.

PRINCIPAL ACTIVITIES

The Bank is engaged in the business of commercial banking and the provision of related services as licensed to do so under the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016 and Financial Institutions Regulations, of Uganda.

RESULTS AND DIVIDEND

The profit for the year of Shs 3,732 million (2022: Shs 8,548 million) has been taken to retained earnings. The directors did not recommend payment of dividends for the year ended 31 December 2023 (2022: Nil).

DIRECTORS

The current members of the Board are shown on Page 1.

CORPORATE GOVERNANCE

The Bank has established a tradition of best practices in corporate governance. The corporate governance framework is based on an effective experienced Board of Directors, separation of the Board's supervisory role from the executive management and constitution of Board committees generally comprising a majority of non-executive directors and chaired by a non-executive independent director who oversees critical areas.

BOARD OF DIRECTORS

The Bank has a broad-based Board of Directors. As at 31 December 2023, the Board of Directors consisted of 14 members. The Board functions as a full board and through various committees constituted to oversee specific operational areas. The board has constituted five committees. These are the Assets and Liabilities Committee, Audit Committee, Risk Committee, Credit Committee and Compensation Committee. All board committees are constituted and chaired by non-executive independent directors. The membership on these committees at 31 December 2023 was as follows:

<table>
<tr><th>Committee</th><th>Chairperson</th><th>Membership</th><th>Meeting frequency</th></tr>
<tr><td>Assets and Liabilities</td><td>Dr. Albert Richard Otete</td><td>5 Non-Executives
2 Executives</td><td rowspan="5">Quarterly</td></tr>
<tr><td>Audit</td><td>Ms. Kawasiima Christine</td><td>3 Independent non-Executives</td></tr>
<tr><td>Risk</td><td>Dr. Albert Richard Otete</td><td>4 Non-Executives
2 Executives</td></tr>
<tr><td>Credit</td><td>Mr. Gervase Ndyanabo</td><td>5 Non-Executives
2 Executives</td></tr>
<tr><td>Compensation</td><td>Mr. Gervase Ndyanabo</td><td>5 Non-Executives</td></tr>
</table>

In addition to the previously mentioned committees, there are management-level committees consisting of senior management, which convene regularly, with meetings occurring on a daily, weekly, monthly, and/or quarterly basis.

Shareholder exit transaction

On 17th January 2024, Finance Trust Bank signed a definitive Agreement for an equity investment by Access Bank Plc, subject to regulatory approval by Bank of Uganda and the Central Bank of Nigeria. The same transaction which is anticipated to be concluded by 30 June 2024, will see Access Bank concurrently acquire the shares currently held by the exiting institutional shareholders bringing the exit transaction to a close.

EXTERNAL AUDITOR

The Bank's auditor, Ernst & Young Certified Public Accountants, was appointed in office in compliance with the regulations outlined in Section 167(2) of the Companies Act, 2012, of Uganda, and Section 65(1) of the Financial Institutions Act, 2004 (as amended in 2016), of Uganda.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22nd MARCH 2024.

By order of the Board

……………………………
Company Secretary

Date: 24th / 04 / 2024

FINANCE TRUST BANK LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2023

The Bank's directors are responsible for the preparation and fair presentation of financial statements for Finance Trust Bank Limited ("the Bank"), comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity and statement of cash flows, and the notes to the financial statements, which include material accounting policy information, in accordance with IFRS Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, 2012 of Uganda and the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016 and Financial Institutions Regulations, of Uganda.

The directors are also responsible for such internal controls as the directors determine what is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors have assessed the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern for the next twelve months from the date of this statement. The capital restoration plan, approved by the Bank of Uganda in 2023, continues to be in effect and is actively being executed to ensure compliance with the revised minimum capital requirement for banks, as stipulated in the Financial Institutions (Revision of Minimum Capital Requirements) Instrument, 2022.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the with IFRS Standards as issued by the International Accounting Standards Board, Companies Act, 2012 of Uganda, and Financial Institutions Act 2004 (as amended by the Financial Institutions (Amendment) Act, 2016 and Financial Institutions Regulations, of Uganda.

Approval of the financial statements

The financial statements of Finance Trust Bank Limited, were approved and authorised for issue by the Board of Directors on 22nd MARCH 2024.

Chairperson

Director

Date: 24th / 4 / 2024

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working world

Ernst & Young
Certified Public Accountants of Uganda
Ernst & Young House
Plot 18, Clement Hill Road
Shimoni Office Village,
P.O.Box 7215
Kampala, Uganda

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Tel: +256 414 343520/4
Fax: +256 414 251736
Email: info.uganda@ug.ey.com
www.ey.com

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF FINANCE TRUST BANK LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Finance Trust Bank Limited (the "Bank") set out on pages 10 to 77, which comprise the statement of financial position as at 31 December 2023, and the statement of 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Finance Trust Bank Limited as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, 2012 of Uganda, the Financial Institutions Act, 2004, as amended by the Financial Institutions (Amendment) Act, 2016 and Financial Institutions Regulations, of Uganda.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matter

Expected credit loss on loans and advances to customers	
As described in Note 20 to the financial statements, as at 31 December 2023, the Bank has an allowance for expected credit losses of Shs 4,706 million (2022: Shs 5,581 million) charged on gross loans and advances to customers of Shs 296,110 million (2022: Shs 271,394 million). The expected credit losses (ECL) are based on a forward-looking approach that recognises impairment loss allowances in accordance with IFRS 9 Financial Instruments. The estimation of expected credit losses requires the Bank to make significant judgements in the consideration of the following variables: • Allocation of loan facilities due from customers to stages 1, 2 and 3 in accordance with IFRS 9 based on: – Credit exposures for which there has been a significant increase in credit risk since initial recognition, and for which a loss allowance is recognised over the remaining life of the exposure (life-time ECL); – Credit exposures for which there has been no significant increase in credit risk, and for which a loss allowance is recognised for default events that are possible within the next 12-months (12-month ECL). • Classification of assets into portfolios based on shared common characteristics. • Assessment of the Probability of Default (PD) and the Loss Given Default (LGD). • The application of historical and forward-looking information, including macro-economic factors in the assessment of the PDs. • Assessment and forecast of expected future cash flows from impaired (stage 3) loans and advances to customers and assessment of the financial condition of the counterparty, estimated recoverability and collateral realisation. • Expected utilisation of overdraft and other lending commitments over the lifetime of the commitments. • Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss models. Due to the significance of the amounts and significant judgements and related estimation uncertainty involved, the assessment of ECLs has been considered a key audit matter. The complexity of these estimates require management to prepare disclosures to explain the key judgments and the key inputs into the ECL computations. These disclosures include those in Notes 3 ,4(d), 6(a), and 20 to the financial statements for accounting policies and explanatory notes.	**How the matter was addressed in the audit** Our audit procedures included but were not limited to: • Reviewed the accounting policies for compliance with IFRS 9 requirements. • Reviewed the ECL models including whether the assumptions applied, and the functioning and application of the models were accordance with IFRS 9. • Reviewed the allocation of loans and advances to customers to stages 1, 2 and 3 for compliance with IFRS 9 basing on the performance of the loans and the available information. • Evaluated the assumptions made to factor expected future cash flows into the ECL computations, taking into account market conditions, and the post-reporting date performance of the loan facilities. • We evaluated the reliability of data sources, including collateral valuation, used in the ECL calculations. This included reviewing loan files to check, where appropriate, if the inputs agreed to the supporting documentation. • We assessed whether disclosures made in the financial statements agreed to the audited balances and information, and whether they were in accordance with IFRS 9.

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REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Matter

The financial statements of Finance Trust Bank Limited for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those statements on 26 April 2023.

Other information

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We 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 IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, 2012 of Uganda, the Financial Institutions Act, as amended by the Financial Institutions (Amendment) Act, 2016 and Financial Institutions Regulations of Uganda, 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 Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (Continued)

- 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We 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 we identify during our audit.

From the matters communicated with the directors, we 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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Companies Act, 2012 of Uganda, we report to you, based on our audit that:

i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

ii. In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and,

iii. The Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The Engagement Partner on the audit resulting in this independent auditor's report is Freda Kaheru Agaba – P0531.

Ernst & Young
....
Ernst & Young
Certified Public Accountants of Uganda
Kampala

....
Freda Kaheru Agaba
Partner

25 April **2024**

	Note	2023 Shs '000	2022 Shs '000
Interest income calculated using effective interest method	8	88,734,229	81,911,214
Interest expense calculated using effective interest method	9	(27,692,755)	(21,929,775)
Net interest income		**61,041,474**	**59,981,439**
Fees and commission income	10	18,539,710	21,043,999
Net foreign exchange income/(loss)	11	492,897	(218,979)
Other operating income	12	925,234	918,530
Total operating income		**80,999,315**	**81,724,989**
Net changes in impairment losses on financial assets	20 (b)	(6,314,848)	(5,636,986)
Depreciation & amortization	13 (a)	(7,195,267)	(6,579,905)
Operating expenses	13 (b)	(23,012,811)	(21,997,254)
Personnel expenses	14	(39,825,122)	(35,091,472)
Profit before income tax		**4,651,267**	**12,419,372**
Income tax expense	15(a)	(919,205)	(3,871,139)
Profit for the year		**3,732,062**	**8,548,233**
Other comprehensive income		-	-
Total comprehensive income for the year		**3,732,062**	**8,548,233**
Earnings per share - basic and diluted (Shs per share)	**32**	**0.063**	**0.308**

	Note	2023 Shs 000	2022 Shs 000
ASSETS			
Cash and balances with Bank of Uganda	16	61,137,336	56,721,546
Deposits and placements with other banks	17	11,642,841	64,328,776
Government securities at amortised cost	18	54,616,148	11,723,797
Loans and advances to customers	20(a)	291,404,425	265,813,219
Other assets	19	9,609,223	9,177,620
Current income tax recoverable	15(c)	112,109	112,109
Right of use asset	31(i)	14,185,184	16,727,666
Property and equipment	21	17,661,316	14,191,733
Intangible assets	22	5,101,273	2,512,195
TOTAL ASSETS		**465,469,855**	**441,308,661**
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	23	276,726,280	276,821,049
Deposits and balances due to other banking institutions	24	24,196,024	12,921,942
Borrowings	25	67,102,093	52,139,377
Lease liabilities	31(ii)	14,526,861	16,468,659
Other liabilities	26(a)	8,382,278	7,816,977
Contract liabilities	26(b)	4,437,082	4,409,664
Provisions	26(c)	693,990	1,643,607
Deferred tax liability	27	819,113	1,149,891
TOTAL LIABILITIES		**396,883,721**	**373,371,166**
EQUITY			
Share capital	28	59,657,984	27,785,402
Retained earnings		4,685,816	34,719,456
Regulatory credit risk reserve	20(c)	4,242,334	5,432,637
TOTAL EQUITY		**68,586,134**	**67,937,495**
TOTAL LIABILITIES AND EQUITY		**465,469,855**	**441,308,661**

The financial statements were approved for issue by the Board of Directors on 22nd March 2024 and signed on its behalf by:

Chairperson, Board of Directors

Director

Managing Director

Company Secretary

FINANCE TRUST BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital Shs 000 Note 28	Regulatory reserve Shs 000 Note 20 (c)	Retained earnings Shs 000	Proposed dividends Shs 000 Note 35	Total Shs 000
31 December 2023					
At 1 January 2023	**27,785,402**	**5,432,637**	**34,719,456**	**-**	**67,937,495**
Total comprehensive income	-	-	3,732,062	-	3,732,062
Transfer from regulatory reserve	-	(1,190,303)	1,190,303	-	-
Rights issue transaction costs	-	-	(3,083,423)	-	(3,083,423)
Rights issue	31,872,582	-	(31,872,582)	-	-
At 31 December 2023	**59,657,984**	**4,242,334**	**4,685,816**	**-**	**68,586,134**
31 December 2022					
At 1 January 2022	**27,785,402**	**5,119,221**	**26,484,639**	**1,831,150**	**61,220,412**
Total comprehensive income	-	-	8,548,233	-	8,548,233
Transfer to regulatory reserve	-	313,416	(313,416)	-	-
Dividends paid	-	-	-	(1,831,150)	(1,831,150)
At 31 December 2022	**27,785,402**	**5,432,637**	**34,719,456**	**-**	**67,937,495**

	Note	2023 Shs 000	2022 Shs 000
Cash flows from operating activities			
Interest receipts from interest bearing assets		80,283,617	73,600,483
Interest paid on customer deposits	23	(18,123,405)	(13,628,861)
Interest paid on deposits and balances due to other banking institutions	24	(382,028)	(1,839,120)
Interest paid on borrowings	25	(6,010,094)	(6,247,359)
Interest paid on leases	31(ii)	(1,330,287)	(1,465,044)
Net fee and commission receipts		18,023,675	19,688,953
Recoveries from loans previously written off	20(b)	2,068,212	2,057,769
Payments to employees and suppliers		(101,128,733)	(66,415,158)
Receipts for operating grants		454,961	495,580
Income tax paid	15(c)	(1,249,983)	(4,120,339)
Cash flows (used in)/ from operating activities before changes in operating assets and liabilities		**(27,394,065)**	**2,126,904**
Changes in operating assets and liabilities:			
Net changes in loans and advances to customers	20	(26,130,333)	(27,742,944)
Net changes in customer deposits	23	156,012	95,190,259
Net changes in deposits and placements due to other banks	24	10,581,674	(56,925,231)
Net changes in cash reserve requirement		(2,600,000)	(11,690,000)
Net changes in deposits and placements from other banks		47,082,216	15,536,515
Net changes in government securities at amortised cost		(34,451,110)	5,950,709
Net cash (used in)/generated from operating activities		**(32,755,606)**	**22,446,212**
Cash flows from investing activities			
Purchase of property and equipment	21	(7,959,828)	(7,723,323)
Purchase of intangible assets	22	(1,843,747)	(31,636)
Cash additions to right of use assets	31(i)	(89,564)	(394,714)
Proceeds from sale of property and equipment		26,157	257,674
Net cash used in investing activities		**(9,866,982)**	**(7,891,999)**
Cash flows from financing activities			
Receipts for borrowings	25	27,347,759	17,899,436
Repayments for borrowings	25	(13,555,601)	(4,514,846)
Payment of principal portion of lease liabilities	31(ii)	(2,850,893)	(3,737,143)
Dividends paid	35	-	(1,831,149)
Net cash (used in)/ from financing activities		**10,941,265**	**7,816,298**
Net (decrease)/increase in cash and cash equivalents		(31,681,323)	22,370,511
Cash and cash equivalents at start of year		69,348,337	46,977,826
Cash and cash equivalents at end of year	30	**37,667,014**	**69,348,337**

1 REPORTING ENTITY

The Bank is established and registered in Uganda as a limited liability company in accordance with the Ugandan Companies Act. The registered office is located at:

Twed Plaza, Plot 22B, Lumumba Avenue
P O Box 6972
Kampala, Uganda

For the purposes of reporting under the Companies Act of 2012 in Uganda, it is important to note that the statement of financial position corresponds to the balance sheet, while the statement of comprehensive income in these financial statements corresponds to the profit and loss account.

2 BASIS OF ACCOUNTING AND MEASUREMENT

The financial statements have been prepared in accordance with and comply with the IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, 2012 Laws of Uganda, and the Financial Institutions Act 2004 (as amended 2016) Laws of Uganda. They were authorised for issue by the Bank's board of directors on 22 March 2024. Details of the Bank's accounting policies are included in Note 3 and 4.

The financial statements are presented in Uganda Shillings (Shs), which is the Bank's functional currency. All amounts have been rounded to the nearest thousands (Shs000), unless otherwise stated. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies included in Note 4.

The preparation of financial statements is in conformity with IFRS Standards as issued by the International Accounting Standards Board that require the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the following notes;

3 USE OF JUDGEMENTS AND ESTIMATES

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

Note 4(d): establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

Assumptions and estimation of uncertainties

Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2023 is included in the following notes.

Note 4(d): impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

4 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' or 'interest expense' respectively in the Statement of comprehensive income using the effective interest method.

The effective interest method is a technique for determining the amortized cost of a financial asset or liability and distributing interest income or expenses over a specific time frame. The effective interest rate is the precise rate that discounts anticipated future cash transactions over the anticipated life of the financial instrument, or if relevant, over a shorter period, to the net carrying amount of the asset or liability. In the calculation of the effective interest rate, the Bank considers all contractual terms of the financial instrument, such as prepayment options, but does not factor in potential credit losses. This calculation encompasses all fees exchanged between parties to the contract that are an essential component of the effective interest rate, along with transaction costs, as well as any additional premiums or discounts.

When a financial asset, or a similar category of assets held by the Bank, has been devalued due to an impairment loss, interest income is recognized using the interest rate that was utilized to discount the future cash flows for the purpose of measuring the impairment loss.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Uganda Shillings ("Shs") which is the Bank's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

(c) Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities

(i) Classification and measurement of financial instruments

The Bank categorizes its financial assets into three primary classification groups determined by the asset's cash flow characteristics and business model assessment:

- Amortised cost;
- Fair Value through Other Comprehensive Income (FVOCI); and
- Fair Value through Profit and Loss (FVTPL).

Amortised cost
A Financial Asset is classified and measured at amortised cost (net of any write down for impairment) unless the asset is designated at FVTPL under the fair value option only if it meets the following two tests:

- Business model test: The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes).
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank recognises cash, balances with Bank of Uganda, deposits, and balances due from commercial banks in Uganda, loans and advances to customers, government securities, borrowings, lease liabilities, other liabilities and other assets at amortised cost.

Fair Value through Other Comprehensive Income (FVOCI)
A financial asset which is a debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As of December 31, 2023, the Bank did not possess any financial assets that were valued under the FVOCI framework.

Fair Value through Profit or Loss (FVTPL)
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTP. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

As of December 31, 2023, the Bank did not possess any financial assets that were valued under the FVTPL framework.

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)
To determine whether a financial asset should be classified as measured at amortised cost or FVOCI, an entity assesses whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding - i.e. the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity may apply the OCI election.

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. The definition of principal reflects the economics of the financial asset from the perspective of the current holder. This means that an entity assesses the asset's contractual cash flow characteristics by comparing the contractual cash flows to the amount that it actually invested.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(i) Classification and measurement of financial instruments (continued)

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI) (Continued)
'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considered the contractual terms of its financial assets. The Bank, through the Credit, Finance and Treasury departments will from time to time review the contractual terms of existing instruments and also review contractual terms of new products the Bank develops or invests in going forward. This includes assessing whether the financial asset contained a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank has considered;
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Contractual features that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, give rise to contractual cash flows that do not meet the SPPI criterion.

Interest rates on loans made by the Bank are based on the prevailing interest rate which currently are referenced to the Central Bank Rate. The prevailing rates are generally based on a Central Bank rate and also include a discretionary spread (Margin). In these cases, the Bank will assess whether the discretionary feature is consistent with the SPPI criterion by considering a number of factors, including whether:
- the borrowers are able to prepay the loans without significant penalties;
- the market competition ensures that interest rates are consistent between banks; and
- any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

Some of the Bank's loans may contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Business Model assessment
An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how Banks of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.
- Held to Collect: The objective in this business model is to manage the financial assets by holding them and collecting the underlying contractual cash flows (instead of managing the overall return on the portfolio by both holding and selling the assets). In addition to this, the business considers the frequency, volume and timing of sales in prior periods, the reasons for such sales and the expectations about future sales activity.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Classification and measurement of financial instruments (continued)

Business Model assessment (Continued)

- Held to Collect and Sell: The Bank may also hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the entity's key management personnel have made a decision that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model.
- Held for Trading: A portfolio of financial assets that meets the definition of held for trading is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets
- Fair Value Option: The portfolio of financial assets meets the definition of FVTPL if:
  - i) The financial instruments are acquired or incurred principally for the purpose of selling or repurchasing in the near term (this includes actual sale as well as synthetically selling off the risk through a derivative);
  - ii) The instruments on initial recognition are part of a portfolio of identified financial instruments that are managed together for which there is evidence of a recent actual pattern of short-term profit taking.

Financial liabilities
The Bank classifies all financial liabilities as subsequently measured at amortised cost. Deposits from customers and other liabilities are also classified at amortised cost.

Reclassification
The Bank only reclassifies financial assets when management changes the business model for managing the financial assets. In that instance all affected financial assets are reclassified. Such changes are expected to be very infrequent, and are determined by the Bank's Senior Management as a result of external or internal changes.

Modification and de-recognition
A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy which applies to both micro and SME lending.

When the contractual terms of a financial asset are modified and the modification does not result in de-recognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(i) Classification and measurement of financial instruments (continued)

Modification and de-recognition (Continued)

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in de-recognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk. Improved repayment behaviour is inferred when the customer meets their loan obligations over a 12 months' observation period from date of modification.

Where a modification does not lead to de-recognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

When a financial asset is modified the Bank assesses whether this modification results in de-recognition. The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability. However, when the modification of a financial instrument not measured at FVTPL does not result in de-recognition, the Bank will recalculate the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities in lending and repurchase transactions.

Write-off

The Bank writes off financial assets, in whole or part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- Ceasing enforcement activity
- Where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Interest income recognition

According to IFRS 9 paragraph 5.4.1 interest revenue shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a. Purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
b. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Classification and measurement of financial instruments (continued)

According to IFRS 9 paragraph 5.4.2 an entity that, in a reporting period, calculates interest revenue by applying the effective interest method to the amortised cost of a financial asset in accordance with paragraph 5.4.1(b) (see (b), shall, in subsequent reporting periods, calculate the interest revenue by applying the effective interest rate to the gross carrying amount if the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the requirements in paragraph 5.4.1(b) were applied (such as an improvement in the borrower's credit rating). In the context of the FIA regulations, credit impaired accounts would refer to the substandard, doubtful and loss risk classifications.

Assets that are credit-impaired on initial recognition
According to IFRS 9 (7A.8.340) Purchased or Originated Credit Impaired (POCI) assets are assets that are credit-impaired on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract e.g. a default or past-due event;
- A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event that caused the asset to be credit-impaired. Instead, the combined effect of several events may cause financial assets to become credit impaired.

Measurement on initial recognition
On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime ECLs are incorporated into the calculation of the effective interest rate.

Subsequent measurement
The ECLs for POCI assets are always measured at an amount equal to lifetime ECLs. However, the amount recognised as a loss allowance for these assets is not the total amount of lifetime ECLs, but instead the changes in lifetime ECLs since initial recognition of the asset. Favourable changes in lifetime ECLs are recognised as an impairment gain, even if the favourable changes are more than the amount, if any, previously recognised in profit or loss as impairment losses.

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts

IFRS 9 applies a forward-looking ‘expected credit loss’ (ECL) model. The impairment model applies to the following financial instruments that are not measured at FVPL:

- financial assets that are debt instruments: This applies to the Bank’s loans and advances to customers, Government securities at amortised cost, balances due from other Banks, balances due from Bank and other assets;
- Lease and trade receivables – this applies to the Bank’s finance lease and trade receivables; and
- Loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets): This applies to the Bank’s off- balance sheet exposures where credit intervention is not required for the counterparty to access the credit facility.

No impairment loss is recognised on equity investments and financial assets measured at FVPL

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

The Bank recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Bank will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Bank will consider a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment-grade’ and investments in Government securities; and
- other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.
- Loss allowances for trade and lease receivables will always be measured at an amount equal to lifetime ECLs.

The impairment requirements of IFRS 9 are complex and require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

For purposes of IFRS 9 there will be no difference between credit impaired and non-performing financial loans as stipulated in the FIA.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD). ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The general approach
- The simplified approach

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

The General Approach
Under the general approach, at each reporting date, an entity recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss. Essentially, an entity (and the Bank has complied with this requirement) must make the following assessment at each reporting date:

Stage 1: For credit exposures where there have not been significant increases in credit risk since initial recognition, an entity is required to provide for 12-month ECLs i.e. the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date (12-month ECL as per formula below).

ECL12m = PD12m x LGD12m x EAD12m

Stage 2: For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime (LT) ECLs, i.e., ECLs that result from all possible default events over the expected life of a financial instrument (ECL LT as per formula below).

ECL LT = LT∑T=1 PDt x LGDt x EADt

Stage 3: For credit exposures that are credit impaired and in default. Similar to stage 2 assets a loss allowance is required for lifetime ECLs however the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate. Otherwise the same ECL computation approach is apply just as Stage 2.

Definition of default
The definition of default, as used by the Bank, is that an obligor is in default where the following have occurred:
- When the obligor is past due more than 89 days for the portfolios that are classed as small and medium enterprise facilities & 29 days for the portfolio segment that is categorized as micro; and
- When the Bank considers that the obligor is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if held), collecting against a guarantee or other form of support, or filing a claim against an insurer.

The definition used is consistent with the definition of default used in the Bank's internal credit risk management. It has also been used consistently across all components of the Expected Credit Loss (ECL) model. The definition used considers both arrears count and qualitative criteria.

The ECL model used by the Bank assigns stages to facilities based on the level of credit deterioration and arrears status.

A facility is categorised in Stage 1 if it is less than 30 days past due for the SME portfolio or 7 days past due for the micro loans portfolio or if it has not experienced a significant increase in credit risk. Credit impaired facilities are categorised in stage 3 with stage 2 consisting of facilities that have experienced a significant increase in credit risk.

The assessment of whether there has been a significant increase in credit risk is done by considering the change in the risk of default since origination. The increase in credit risk is deemed significant if a facility is more than 30 days past due for the SME portfolio or more than 7 days for the micro loans portfolio.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

The Bank qualitatively determines default, when the Bank considers that the obligor is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if held), collecting against a guarantee or other form of support, or filing a claim against an insurer.

The assessment of whether credit risk has increased (or decreased) significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument rather than by considering an increase in ECL. Where the credit risk of a financial asset has decreased significantly then the financial asset will be re-categorised to stage 1.

However, for migration from Stage 3 to Stage 2, obligors are required to have paid three consecutive monthly instalments. Migration from Stage 2 to Stage 1 is subject to monitoring of the loan's monthly performance for a period of 90 days and occurs after two consecutive monthly repayments. Migration from Stage 3 to Stage 1 is none permissible.

Probability of default (PD)
In estimating its expected credit loss, the bank has calibrated its key IFRS 9 drivers to take into account both its internal credit risk experience and complimented the same with global best practice.

From a staging perspective, the bank has not only relied on the days past due information for each loan account but further applied a quantitative staging criterion to manage the process of upgrading customers from Stage 3 to Stage 2 and finally Stage 1. The bank recognizes the importance of reliably assessing the curing process for defaulted accounts and observing customers for a reliable period before upgrading their stage especially with the exhaustion of moratorium periods for restructured loans. This has helped to minimize variability in ECL outputs as customers migrate across the various stages.

For loss given default, the bank considers recovery both from cash collection as well as pledged collateral for secured facilities. Different collateral classes have adopted tailored recoverability assumptions (both in cost as well as time-to-realization) in line with the bank's internal experience as well as maintaining a minimum Loss Given Default floor, which is meant to cushion the bank from potentially inflated asset values and depressed actual property prices.

Forward-looking information has also been incorporated in the PD by including macroeconomic components in PD estimates using regression analysis. The Bank defines three possible economic scenarios: a base case, which is the likely scenario, established internally based on reliable referenced forecasts (usually the International Monetary Fund – IMF, Bank of Uganda – BOU, the Uganda Bureau of Statistics – UBOS & Fitch Solutions Data), and two less likely scenarios, one upside (Best case) and one downside (Worst case)

Scenarios	**Weights**	
	Original scenario	**Further Downside scenario**
Base	72%	10%
Upside	14%	10%
Downside	14%	80%

For Stress Testing & simulation purpose, the applicable weights for each of the scenarios is varied from the original scenario and impact to the bank's ECL provision assessed in a further downside scenario that has a higher downside weighting.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

A further downward scenario results in a 11.12% overall increase in total ECLs as illustrated below:

Shs 000	**Original scenario**	**Further Downside scenario**
Stage 1	2,444,700	2,919,667
Stage 2	192,199	213,563
Stage 3	2,069,242	2,299,247
Total	4,706,141	5,432,476

The table below lists the macroeconomic factors considered in the internally developed FLI macroeconomic model over a five-year forecast period. The assumptions represent the absolute values for the country's average lending rate as well as Private final consumption per capita (UGX), which were found to be the statistically significant factors in predicting changes to the bank's default rate. The lending rate is the bank rate to meet short- and medium-term financing needs of the private sector while the private final consumption per capita is the sum of all household spending on goods and services within the economy as a proportion of the country population. From a correlation analysis with the bank's historical NPLs, the 2 factors had relatively higher correlation to the NPL directional trend.

At 31 December 2023	Lending rate, %, average	Private final consumption per capita, LCU (2010 prices)
5-year Average	18.30	2,509,975.71
Peak*	19.92	2,913,083.24

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, customers are segmented into five rating classes as shown below:

Bank's internal ratings scale
For purposes of collective assessment of ECL, the Bank bands its Financial assets into 2 broad categories of Micro and SME. The SME portfolio includes commercial (Shs 5million and above) & consumer facilities advanced in amounts while the micro loan portfolio includes all loans below Shs 5million (excluding consumer loans).

	Days past due		
Bank 's rating	**Micro Loans**	**SME Loans**	**Stage allocation**
Normal	0-7	0-29	1
Watch	8-29	30-89	2
Substandard	30-59	90-179	3
Doubtful	60-89	180 - 364	3
Loss	Over 89	Over 364 considered uncollectible	3

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

Expected credit losses (ECL) by segment as at 31 December 2023:

	Stage 1 - 12 months ECL (Shs '000)	Stage 2 – Lifetime ECL (Shs '000)	Stage 3 – Lifetime ECL (Shs '000)	Total (Shs '000)
SME	128,979,412	6,621,050	6,416,814	**142,017,276**
Micro	141,183,932	5,953,022	6,956,336	**154,093,290**
Gross Carrying amount	**270,163,344**	**12,574,072**	**13,373,150**	**296,110,566**
Loss allowance	(2,444,700)	(192,199)	(2,069,242)	(4,706,141)
Net carrying amount	**267,718,644**	**12,381,873**	**11,303,908**	**291,404,425**

Expected credit losses (ECL) by segment as at 31 December 2022:

	Stage 1 - 12 months ECL (Shs '000)	Stage 2 – Lifetime ECL (Shs '000)	Stage 3 – Lifetime ECL (Shs '000)	Total (Shs '000)
SME	110,139,795	7,912,444	9,767,050	**127,819,289**
Micro	127,749,648	6,977,555	8,848,217	**143,575,420**
Gross Carrying amount	**237,889,443**	**14,889,999**	**18,615,267**	**271,394,709**
Loss allowance	(2,092,834)	(314,866)	(3,173,790)	(5,581,490)
Net carrying amount	**235,796,609**	**14,575,133**	**15,441,477**	**265,813,219**

Loss Given default (LGD)

The LGD model uses a two-step approach for estimating the loss given default under different macroeconomic scenarios. This entails calculating the loss likelihood and severity of write-offs by separating defaults that were eventually written-off and those that were not. An estimate of the LGD is determined for both the defaults that were written-off and those that were not. The final LGD is a probability-weighted average of the LGD for defaults that were written-off and the LGD for defaults that were not written-off.

Historical data collected from the Bank's internal database spanning the period 2014 to 2023 has been used to determine the LGD. The data has been segmented by product to capture the unique characteristics of each cohort.

For facilities that have professionally valued collateral, the LGD has been computed based on expected recovery from sale of the collateral. The methodology used to determine the LGD generally gives a best estimate of the loss given default in line with IFRS 9 requirements.

Exposure at Default (EAD)

The EAD constitutes the total exposure amount and includes on-balance sheet and off balance sheet exposures. It is a combination of the facility's outstanding balance and unused commitments. For the unused commitments, the expected incremental drawdown for a facility is estimated by deriving a credit conversion factor. For facilities without unused exposures, the EAD is estimated considering the contractual rundown on the loans. This is performed using the loan contract features i.e. loan principal amount, contractual interest rate and contractual term.

In addition to the measurement of the impairment losses on loans and advances in accordance with IFRS9 as set out above, the Bank is required by the Financial Institutions Act to estimate losses on loans and advances as follows:

1) Specific provision for the loans and advances considered non performing (impaired) based on the criteria, and classification of such loans and advances established by the Financial Institutions Act, as follows:

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

Exposure at Default (EAD)(continued)

a) Substandard loans with arrears period from 90 to 179 days – 20%
b) Doubtful loans and advances with arrears period from 180 to 364 days – 50%; and
c) Loss with arrears period exceeding 364 days – 100% provision

2) General provision of 1% of credit facilities less provisions and suspended interest.

In the event that provisions computed in accordance with the Financial Institutions Act exceed provisions determined in accordance with IFRS, the excess is accounted for as an appropriation of retained earnings. Otherwise no further accounting entries are made

(e) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) 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 that an asset may be impaired. If any such indication exists, then the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Bank of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Impairment losses are recognised in profit or loss in expense categories consistent with the function.

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 that the carrying amount of the asset does not exceed its recoverable amount, or 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.

(g) Property and equipment

"Work in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment is stated at historical cost net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of these assets. Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to 'operating expenses' during the period in which they are incurred.

Freehold land is not depreciated while leased buildings (including leasehold improvements) are depreciated on a straight-line basis over the shorter of the estimated useful life and the remaining lease term.

Depreciation on other assets is calculated on reducing balance at annual rates estimated to write off the carrying values of assets over their expected useful lives.

4 Material accounting policy information (continued)

(g) Property and equipment (Continued)

The applicable depreciation rates of items of property and equipment are as follows:

Leased Buildings	Over the lease term
Motor vehicles	25%
Office equipment	20%
Computer Hardware	33.3%
Fixtures and fittings	12.5%

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively, if appropriate, at each balance sheet date.

The Bank assesses at each balance sheet date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are Banked at the lowest levels for which there are separately identifiable cash flows (cash-generating units).
An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in "other income" in the Statement of comprehensive income when the asset is derecognised.

(h) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (five years).

Costs associated with maintaining computer software programmes are recognised as an expense as they are incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

Derecognition of intangible assets occurs when the asset is disposed of or when no future economic benefits are expected from its use or disposal. Upon derecognition, any resulting gain or loss, determined by comparing disposal proceeds with the carrying amount of the asset at derecognition, is recognized in the statement of comprehensive income in the period in which the derecognition occurs.

4 Material accounting policy information (continued)

(i) Income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.
Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Ugandan Income Tax Act. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled or the related deferred income tax asset is realised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Central Bank, treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Central Bank.

(k) Employee benefits

(i) Retirement benefit obligations
The Bank operates a defined Contribution Retirement Benefit scheme for all its permanent confirmed Senior Management employees. The Bank and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a retirement benefit plan that is not a defined contribution plan and defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Bank and employees.

The Bank’s contributions to the defined contribution schemes are charged to the Statement of comprehensive income in the year in which they fall due.

(ii) Other entitlements
The estimated monetary liability for employees’ accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(l) Customer deposits

Deposits from customers are measured at amortised cost using the effective interest rate method.

4 Material accounting policy information (continued)

(m) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method.

(n) Share capital

Ordinary shares are classified as 'share capital' in equity and measured at the fair value of consideration receivable without subsequent re-measurement. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(o) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(p) Leases

With the Bank as Lessee

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.
The Bank has elected to separate non-lease component of taxes for leases of branches, office premises and accounts for the lease and non-lease components as separate components.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. "The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and an estimate of costs to dismantle and remove any improvements made to branches or office premises. Right-of-use assets are depreciated on a straight-line basis over the lease term."

The right-of-use assets are presented separately on the statement of financial position and are subject to impairment in line with the Bank's policy on impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the incremental borrowing rate. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

4 Material accounting policy information (continued)

(p) Leases (Continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents lease liabilities separately on the statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The rent expense amounts are disclosed in Note 13.

Leases of assets where the Bank has substantially all the risks and rewards of ownership are classified measured and recognised in line with the requirements of IFRS 16 leases. Finance leases are capitalised at the lease's commencement at the present value of the minimum lease payments. Further details on accounting for the bank's leases are provided in Note 31.

(ii) With the Bank as lessor
The Bank does not lease out any of its properties and equipment.

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Where a lease is terminated, the un amortised asset and unpaid lease liability are derecognised through the profit or loss.

(q) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

4 Material accounting policy information (continued)

(r) Grants

Grants include assistance offered by government, government agencies and similar bodies whether local, national, or international in the form of transfers of resources in return for past, of future compliance with certain conditions relating to the operation of the Bank. Grants related to assets are those whose primary condition is that the Bank should purchase long-term assets.

Grants are recognised when there is reasonable assurance that the Bank will comply with the conditions attached to the grant and that the grant will be received.

Grants awarded towards the purchase of assets are netted off against the total purchase price in arriving at the carrying value of the asset. The grant is then recognised as income through profit or loss over the life of the asset by way of a reduction in the depreciation charge of the asset.

Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions concerning the future. Estimates and judgements 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. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Deferred income tax asset/liability

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Tax losses cannot be utilised indefinitely; judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Temporary differences related to investments in subsidiaries to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible Temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the bank's business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and Reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its Assets and liabilities.

4 Material accounting policy information (continued)

(a) Deferred income tax asset/liability (Continued)

The Bank recognizes deferred tax assets or liabilities when qualifying deductible or taxable temporary differences, respectively, exist. Deferred tax assets are recognized to the extent that the entity expects to recover the carrying amount through future economic benefits, while deferred tax liabilities are recognized based on the probability of economic benefits flowing from the entity through tax payments in future periods.

The deferred tax liability is disclosed in more detail in Note 27. In 2023, the Bank recognised deferred tax liability of Shs 819 Million (2022: Shs 1,149 Million) in respect of decrease in taxable temporary differences. The deferred tax liability has been maintained in the balance sheet with an assumption that the bank will have economic benefits flowing from the entity through tax payments in future periods.

(b) Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL such as:

- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings for forward-looking scenarios for each type of product / market and associated ECL
- Establishing Banks of similar assets for the purposes of measuring ECL.

The expected credit loss allowance on loans and advances are disclosed in more detail in Note 20.

5 NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE BANK

New and amended standards and interpretations

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards that were effective for annual periods on or after 1 January 2023 that did not have a material impact on the Bank's financial statements:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Bank's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank's financial statements.

New and revised International Financial Reporting Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standards issued but not yet effective that are not expected to have a material impact on the Bank's financial statements:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants Amendments to IAS 1 (Effective for annual periods on or after 1 January 2024)
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (Effective for annual periods on or after 1 January 2024)
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 (Effective for annual periods on or after 1 January 2024)
- Lack of exchangeability – Amendments to IAS 21 (Effective for annual periods beginning on or after 1 January 2025)
- Sale or Contribution of Assets between an investor and its Associate or Joint Venture- Amendments to IFRS 10 and IAS 28 (Effective date postponed indefinitely pending the outcome of IASB's research project on the equity method of accounting)

6 FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the financial risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate equilibrium between risk and return and minimise potential adverse effects on its financial performance.

The Treasury department under policies approved by the Board of Directors carries out financial Risk management. Through its treasury department, the Bank identifies, evaluates and hedges financial risks in close cooperation with other operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and use of derivative and non-derivative financial instruments.

The carrying amounts for each class of financial instruments is included in the table below;

	2023 Ushs'000	2022 Ushs'000
Financial assets		
Measured at amortised cost		
Cash and balances with Bank of Uganda (Note 16)	61,137,336	56,721,546
Deposits and placements with other Banks (Note 17)	11,642,841	64,328,776
Government securities at amortised cost (Note 18)	54,616,148	11,723,797
Loans and advances to customers (Note 20(a))	291,404,425	265,813,219
Other assets (Note 19)	3,315,853	3,257,333
	422,116,603	**401,844,671**
Financial liabilities		
Measured at amortised cost:		
Customer deposits (Note 23)	276,726,280	276,821,049
Deposits and balances due to other banking institutions (Note 24)	24,196,024	12,921,942
Borrowings (Note 25)	67,102,093	52,139,377
Other liabilities (Note 26(a))	3,534,208	3,745,280
Lease liabilities (Note 31(ii))	14,526,861	16,468,659
	386,085,466	**362,096,307**

The Bank does not hold any financial instruments that are measured at fair value.

(a) Credit risk

Credit risk, defined as the potential financial loss stemming from the failure of a customer or counterparty to meet contractual obligations, primarily emanates from the Bank's exposure to Loans and advances to customers. The Bank rigorously manages and assesses credit risk exposure, consolidating various dimensions including individual obligor default risk, as well as evaluating broader factors such as country and sector risk.

Changes in credit risk during the reporting period were notably driven by the persistent effects of the geopolitical tensions, and tightened monetary policies impacting businesses, especially those struggling to recover from pandemic-related shocks. The agricultural portfolio faced additional challenges due to adverse underwriting gaps, changes in the climate which affected the seasonal yields. The bank's risk management response included a thorough reassessment of underwriting protocols, refining credit scoring models, and strengthening risk mitigation strategies.

Credit risk is the most important risk for the Bank's business; management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is centralised in the credit risk management team within the Risk department. The Credit risk management team reports regularly to the Board of Directors.

6 Financial risk management (Continued)

The contractual carrying amount for loans and advances to customers written off by the bank as at 31 December 2023 and that were which are still subject to enforcement activities was Shs9billion (2022: Shs 7.7billion).

(i) Credit risk measurement

Loans and advances (including commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Bank has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

Probability of default

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgement. They are validated, where appropriate, by comparison with externally available data. The Bank segments its clients into five rating classes in line with the provisions of the FIA, 2004, (as amended 2016).

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, customers are segmented into five rating classes as shown below and these remained unchanged even during period:

Bank's rating	Description of the grade
1	Standard and current
2	Watch
3	Substandard
4	Doubtful
5	Loss

(ii) Risk limit control and mitigation policies

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent reviews. The Board of Directors approves limits on the level of credit risk by product, industry sector and by country regularly.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing lending limits where appropriate.

6 Financial risk management (Continued)

(iii) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over communal and/or business assets such as premises, inventory and accounts receivable' and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(iv) **Credit related commitments**

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets:	**2023 Shs 000**	**2022 Shs 000**
Bank Balances with Bank of Uganda (Note 16)	34,332,522	30,971,728
Deposits and placements with other banks (Note 17)	11,642,841	64,328,776
Loans and advances to customers (Note 20 (a))	291,404,425	265,813,219
Government securities at amortised cost (Note 18)	54,616,148	11,723,797
Other assets (Note 19)	3,315,853	3,257,333
	395,311,789	**376,094,853**
Credit risk exposures relating to off-balance sheet items (Note 34):		
Guarantee and performance bonds	6,332,770	4,740,117
Undrawn loan commitments	873,846	797,427
Total exposure	**402,518,405**	**381,632,397**

The above table represents the Bank's credit risk exposure at 31 December 2023, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.

72.4% (2022: 69.7%) of the total maximum exposure is derived from loans and advances to customers and 13.6% (2022: 3.1%) represents government securities at amortised cost. Off balance sheet items form 1.8% (2022: 1.5%) of the maximum exposure.

6. Financial risk management (continued)

(a) Credit risk (continued)

All loans and advances to customers other than to salaried individuals are secured by collateral in the form of charges over land and buildings and/or and machinery and other assets, corporate and personal guarantees or assignment of contract proceeds.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advances portfolio and debt securities based on the following:

- the Bank exercises stringent controls over the granting of new loans;
- 91% (2022: 88%) of the loans and advances portfolio are neither past due nor impaired; and
- 4.3% (2022: 3%) of the loans and advances portfolio is past due but not impaired.
- 5% (2022:10%) of the loans and advances portfolio is impaired.

Loans and advances	**2023 Shs 000**	**2022 Shs 000**
Neither past due nor impaired	270,163,344	237,889,443
Past due but not impaired	12,574,072	14,889,999
Impaired	13,373,150	18,615,267
Gross carrying amount	**296,110,566**	**271,394,709**
Less: allowance for impairment (Note 20(a))	(4,706,141)	(5,581,490)
Net amount	**291,404,425**	**265,813,219**

Impairment of Loans and advances

The credit quality of the portfolio of loans and advances was assessed in reference to the IFRS 9 staging criteria. The portfolio buckets at close of the year were as below:

	2023 Shs 000	**2022 Shs 000**
Stage 1	270,163,344	237,889,444
Stage 2	12,574,072	14,889,998
Stage 3	13,373,150	18,615,267
	296,110,566	271,394,709

The following table sets out information about the credit quality of loans and advances to customers measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Loans and advances to customers at amortized cost

For the year ended 31 December 2023, amounts at Shs 000

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Normal	270,163,344	4,026,886	491,375	274,681,605
Watch	-	8,547,186	1,074,881	9,622,067
Sub Standard	-	-	4,142,903	4,142,903
Doubtful	-	-	4,273,110	4,273,110
Loss	-	-	3,390,881	3,390,881
	270,163,344	**12,574,072**	**13,373,150**	**296,110,566**
ECL allowance	(2,444,700)	(192,199)	(2,069,242)	(4,706,141)
Carrying amount	**267,718,644**	**12,381,873**	**11,303,908**	**291,404,425**

6 Financial risk management (continued)

(a) Credit risk (continued)

Loans and advances to customers at amortized cost (Continued)

For the year ended 31 December 2022, amounts at Shs 000

	Stage 1	Stage 2	Stage 3	Total
Normal	237,889,444	7,435,876	811,758	246,137,078
Watch	-	7,454,122	1,059,001	8,513,123
Sub standard	-	-	6,105,725	6,105,725
Doubtful	-	-	5,472,389	5,472,389
Loss	-	-	5,166,394	5,166,394
	237,889,444	**14,889,998**	**18,615,267**	**271,394,709**
ECL allowance	(2,092,834)	(314,866)	(3,173,790)	(5,581,490)
Carrying amount	**235,796,610**	**14,575,132**	**15,441,477**	**265,813,219**

Expected credit losses on loans and advances to customers

For the year ended 31 December 2023, amounts at Shs 000

	Stage 1	Stage 2	Stage 3	Total
Normal	2,444,700	82,806	59,075	2,586,582
Watch	-	109,393	114,667	224,059
Sub Standard	-	-	623,634	623,634
Doubtful	-	-	643,297	643,297
Loss	-	-	628,569	628,569
	2,444,700	**192,199**	**2,069,242**	**4,706,141**

For the year ended 31 December 2022, amounts at Shs 000

	Stage 1	Stage 2	Stage 3	Total
Normal	2,092,834	189,796	20,784	2,303,414
Watch	-	125,070	593,940	719,010
Sub Standard	-	-	724,383	724,383
Doubtful	-	-	1,384,002	1,384,002
Loss	-	-	450,681	450,681
	2,092,834	**314,866**	**3,173,790**	**5,581,490**

All other exposures are under Normal classification for internal grading and stage 1 under IFRS 9 classification and therefore the carrying amounts and ECLs are all stage 1.

For balances with Bank of Uganda and government securities at amortised cost, all these have Bank of Uganda as the counter party. The ECL allowance for exposures with Bank of Uganda are relatively low throughout the current and prior years respectively. Bank of Uganda has not defaulted in local or foreign currency debt in recent history and has a track record of managing its budget even in difficult times and on that basis these balances continue to be considered as having low or negligible risk of default.

6 Financial risk management (continued)

(a) Credit risk (continued)

Concentration Risk

A concentration risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic sector or other conditions. The analyses of credit risk concentrations presented below are based on the economic sector in which they are engaged.

Sector	**Gross Loans & advances**			
	2023		**2022**	
	Shs 000	**(%)**	**Shs 000**	**(%)**
Agriculture	117,277,140	40%	100,563,125	37%
Manufacturing	3,299,961	1%	7,066,821	3%
Trade	41,288,183	14%	37,213,118	14%
Transport and Communication	3,583,631	1%	4,285,898	2%
Electricity and Water	2,093,063	1%	1,040,546	0%
Building, Mortgage, Construction and Real Estate	68,919,800	23%	62,732,543	23%
Business Services	12,402,818	4%	12,274,274	4%
Community, Social & Other Services	17,756,532	6%	16,105,525	6%
Personal Loans and Household Loans	29,489,438	10%	30,112,859	11%
	296,110,566	**100%**	**271,394,709**	**100%**

6 Financial risk management (continued)

(a) Credit risk (continued)

Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against its credit exposures.

The Bank only holds collateral for loans and advances to customers. There are no credit enhancements for the other financial assets.

There are no financial assets for which ECLs have not been recognised because of collateral.

The table below sets out the principal types of collateral held against loans and advances to customers

At 31 December 2023

		Fair value of collateral and credit enhancements held						
Stage	**Maximum exposure to credit risk Shs 000**	**Cash and cash equivalent Shs 000**	**Chattels and moveable equipment Shs 000**	**Guarantees and debentures Shs 000**	**Land and buildings Shs 000**	**Others Shs 000**	**Total Shs 000**	**ECL Shs 000**
Stage 1	267,718,644	14,283,507	3,542,551	68,018,026	1,083,719,117	56,411,348	1,225,974,549	2,444,700
Stage 2	12,381,873	392,700	147,725	3,692,980	58,150,558	4,387,657	66,771,620	192,199
Stage 3	11,303,908	450,600	431,200	3,315,041	66,395,312	6,002,098	76,594,251	2,069,242
Total	**291,404,425**	**15,126,807**	**4,121,476**	**75,026,047**	**1,208,264,987**	**66,801,103**	**1,369,340,420**	**4,706,141**

At 31 December 2022

		Fair value of collateral and credit enhancements held						
Stage	**Maximum exposure to credit risk Shs 000**	**Cash and cash equivalent Shs 000**	**Chattels and moveable equipment Shs 000**	**Guarantees and debentures Shs 000**	**Land and buildings Shs 000**	**Others Shs 000**	**Total Shs 000**	**ECL Shs 000**
Stage 1	235,796,610	3,086,881	7,767,780	94,659,383	738,225,279	57,728,099	901,467,422	2,092,834
Stage 2	14,575,132	-	1,008,150	4,600,388	61,671,851	4,814,012	72,094,401	314,866
Stage 3	15,441,477	460,000	1,204,695	9,027,786	58,596,126	7,122,066	76,410,673	3,173,790
Total	**265,813,219**	**3,546,881**	**9,980,625**	**108,287,557**	**858,493,256**	**69,664,177**	**1,049,972,496**	**5,581,490**

For both years presented above, the fair value of collateral fully covered the maximum exposure to credit risk for loans and advances to customers and as such there is nil exposure to credit risk after considering the fair value collateral.

6 Financial risk management (continued)

(a) Credit risk (continued)

Loans and advances to customers

The bank extends credit to its customers through five major products i.e. Business loans, Agricultural Loans, Asset financing, Consumer loans and mobile phone loans. The general creditworthiness of customer tends to be the most relevant indicator of credit quality of a loan extended. However, collateral provides additional security and the Bank generally requests that all borrowers provide it. The Bank may take collateral in the form of cash, Legal Mortgage, customary land Kibanja, Marketable chattels and guarantees.

Because of the Bank's focus on customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to its customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely by the branch management in collaboration with Bank recovery unit and external support sought for difficult cases.

For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

At 31 December 2023, the net carrying amount of credit-impaired loans and advances to customers amounted to Shs11billion (2022: Shs15billion) and the fair value of identifiable collateral (mainly mortgaged properties) held against those loans and advances amounted to Shs76.6billion (2022: Shs 76.410billion). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against it.

Amounts arising from ECL allowances

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 4.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for corporate exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product, repayment frequency, and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process, and FIA 2004 (as amended 2016).

The Bank will deem the credit risk of a particular exposure to have increased significantly since initial recognition if;

- Quantitative; the counterparty is past due for more than 30 days
- Qualitative; the account has been restructured for financial distress reasons
- The physical state of collateral has since deteriorated from the time of accessing the credit facility.
- The customer is declared bankruptcy

6 Financial risk management (continued)

(a) Credit risk (continued)

Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review to take care of changes. The restructured portfolio as at 31st December 2023 was Shs.7.7bn (2022: Shs18.4bn).

Repossessed collateral

During 2023, the Bank did not re-possess any collateral held as security. The Bank's policy is to dispose of repossessed properties as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property not sold by year-end is classified in the balance sheet within "other assets".

(b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

A separate team in the treasury department regularly reviews sources of liquidity. The purpose is to ensure that the Bank maintains a wide diversification by provider, product and term.
In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The Treasury department monitors liquidity ratios on a daily basis. Details of net liquid assets to deposits from customers and other banking institutions at the reporting date and during the reporting period were as follows:

	2023	**2022**
At 31 December	28.91%	46.45%
Average for the Period	33.15%	39.88%
Maximum for the Period	40.69%	46.45%
Minimum for the Period	28.91%	30.05%

The bank's liquidity position remained largely stable throughout the period as revealed by the average position of 33.15%. The below average position at end of year mostly stemmed from faster growth in the loan book at 10% relative to the 3% growth in the deposit book.

The table below presents the undiscounted cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the balance sheet date and to the Bank from financial assets by expected maturity dates.

6 Financial risk management (continued)

(b) Liquidity risk (continued)

At 31 December 2023	Carrying amount Shs 000	Total undiscounted amount Ushs'000	Up to 1 month Shs 000	1-3 months Shs 000	3-12 months Shs 000	1-5 years Shs 000	Over 5 years Shs 000
Financial assets							
Cash and balances with Bank of Uganda	61,137,336	61,137,336	61,137,336	-	-	-	-
Deposits and placements with other banks	11,642,841	12,979,623	5,506,104	1,320,575	6,152,944	-	-
Government securities at amortised cost	54,616,148	57,542,771	5,500,000	-	21,276,923	30,765,848	-
Loans and advances to customers	291,404,425	377,848,548	6,853,748	86,444,123	120,979,623	163,571,054	-
Other assets	3,315,853	3,315,853	3,315,853	-	-	-	-
Total financial assets	**422,116,603**	**512,824,131**	**82,313,041**	**87,764,698**	**148,409,490**	**194,336,902**	**-**
Financial liabilities							
Customer deposits	276,726,280	280,491,771	51,799,426	65,112,047	163,580,298	-	-
Deposits and balances due to banking institutions	24,196,024	25,224,163	6,394,684	-	18,829,479	-	-
Borrowings	67,102,093	73,470,442	-	1,765,738	19,819,784	51,884,920	-
Lease liabilities	14,526,861	21,882,385	-	-	4,497,754	17,384,631	-
Other liabilities	3,534,208	3,534,208	3,534,208	-	-	-	-
Total financial liabilities	**386,085,466**	**404,602,969**	**61,728,318**	**66,877,785**	**206,727,315**	**69,269,551**	**-**
Off Balance Sheet Items							
Guarantee and performance bonds	6,332,770	**6,332,770**	666,901	1,159,404	4,506,465	-	-
Commitments to lend	873,846	**873,846**	873,846	-	-	-	-
Total off balance sheet items	**7,206,616**	**7,206,616**	**1,540,747**	**1,159,404**	**4,506,465**	**-**	**-**
Net liquidity position							
At 31 December 2023	**28,824,521**	**101,014,546**	**19,043,976**	**19,727,509**	**(62,824,290)**	**125,067,351**	**-**

6 Financial risk management (continued)

(b) Liquidity risk (continued)

At 31 December 2022

	Carrying amount Shs 000	Total undiscounted amount Ushs'000	Up to 1 month Shs 000	1-3 months Shs 000	3-12 months Shs 000	1-5 years Shs 000	Over 5 years Shs 000
Financial assets							
Cash and balances with Bank of Uganda	56,721,546	56,721,546	56,721,546	-	-	-	-
Deposits and placements with other banks	64,328,776	66,330,776	12,152,675	36,053,605	18,124,496	-	-
Government securities at amortised cost	11,723,797	12,573,797	1,499,882	6,135,065	4,938,850	-	-
Loans and advances to customers	265,813,219	292,093,523	23,217,820	13,611,868	102,890,393	152,373,442	-
Other receivables	3,257,333	3,257,333	3,257,333	-	-	-	-
Total financial assets	**401,844,671**	**430,976,975**	**96,849,256**	**55,800,538**	**125,953,739**	**152,373,442**	**-**
Financial liabilities							
Customer deposits	276,726,280	287,627,633	195,520,434	19,388,820	72,718,379	-	-
Deposits and balances due to banking institutions	12,921,942	14,161,942	803,156	3,463,081	9,895,705	-	-
Borrowings	52,139,377	64,618,623	-	964,190	14,605,086	49,049,347	-
Lease liability	16,468,659	23,312,135	-	-	3,515,221	19,796,914	-
Other liabilities	3,745,280	3,745,280	3,745,280	-	-	-	-
Total financial liabilities	**362,001,538**	**393,465,613**	**200,068,870**	**23,816,091**	**100,734,391**	**68,846,261**	**-**
Off Balance Sheet Items							
Guarantee and performance bonds	**4,740,117**	**4,740,117**	815,533	318,973	3,605,611	-	-
Commitments to lend	**797,427**	**797,427**	797,427	-	-	-	-
Total off balance sheet items	**5,537,544**	**5,537,544**	**1,612,960**	**318,973**	**3,605,611**	**-**	**-**
Net liquidity position At 31 December 2022	**34,305,589**	**31,973,818**	**(104,832,574)**	**31,665,474**	**21,613,737**	**83,527,181**	**-**

6 Financial risk management (Continued)

(c) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates, foreign currencies and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO). The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by the ALCO) and for the day-to-day implementation of those policies.

Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2023 and 2022. During the reporting period, the Bank only traded in USD and the financial instruments held as at 31 December are included in the table below.

USD balances	**2023 Shs 000**	**2022 Shs 000**
At 31 December		
Assets		
Cash and balances with Bank of Uganda	2,392,960	2,694,684
Deposits and balances due from other banking institutions	486,490	1,231,910
Total assets	**2,879,450**	**3,926,594**
Liabilities		
Customer deposits	1,379,638	1,274,342
Lease liabilities	124,748	56,334
Other liabilities	288	195
Total liabilities	**1,504,674**	**1,330,871**
Net on-balance sheet position	**1,374,776**	**2,595,723**
Net off-balance sheet position	**-**	**-**
Overall open position At 31 December	**1,374,776**	**2,595,723**

6 Financial risk management (continued)

(c) Market risk (continued)

Currency risk (continued)

Sensitivity analysis

Foreign exchange risks – appreciation/depreciation of Ushs against other currencies by 10%

The Bank's assets are typically funded in the same currency as that of the business transacted to eliminate foreign exchange exposure. However, the Bank maintains an open position within the tolerance limits approved by the Board within the Bank of Uganda prescriptions.

The foreign exchange risks sensitivity analysis is based on the following assumptions:

- Foreign exchange exposures represent net currency positions of all currencies other than Uganda shillings.
- The currency risk sensitivity analysis is based on the assumption that all net currency positions are highly effective.

The base currency in which the Bank's business is transacted in Uganda shillings.

The Bank performs forward looking sensitivity analysis for foreign exchange rate risk to which the Bank is exposed at the end of each reporting period, showing how profit or loss and equity would have been affected by changes in the exchange rates that were reasonably possible at reporting date. The Bank has considered the annual official mid-rate change history as published by Bank of Uganda for the last four financial years 2023 . The Bank has considered to therefore use 10% appreciation/depreciation in deriving the sensitivity analysis to foreign exchange rate changes.

The table below sets out the impact on future earnings of an incremental 10% parallel fall or rise in all foreign exchange rates as at year-end. Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

31 December 2023	**10% appreciation**		**10% depreciation**	
	Effect on profit before tax	**Effect on equity**	**Effect on profit before tax**	**Effect on equity**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**
USD	(149,952)	(104,967)	149,952	104,967
Net impact	**(149,952)**	**(104,967)**	**149,952**	**104,967**

31 December 2022	**10% appreciation**		**10% depreciation**	
	Effect on profit before tax	**Effect on equity**	**Effect on profit before tax**	**Effect on equity**
	Ushs'000	**Ushs'000**	**Ushs'000**	**Ushs'000**
USD	(265,206)	(185,644)	265,206	185,644
Net impact	**(265,206)**	**(185,644)**	**265,206**	**185,644**

6 Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. Board ALCO is the monitoring body for compliance with these limits and is assisted by Treasury in its day-to-day monitoring activities. These day-to-day activities include; monitoring changes in the Bank's interest rate exposures, which include the impact of the Bank's outstanding or forecast debt obligations and changes to exposures arising from interbank offered rates reform. Board ALCO sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly. Treasury is responsible for implementing these strategies by putting in place the individual hedge arrangements. Many of those hedge arrangements are designated in hedging relationships for accounting purposes. The Bank manages interest rate risk through gap analysis.

Gap Analysis

Under this, interest sensitive assets and liabilities are classified into various time bands according to their maturity in the case of fixed interest rates, and residual maturity towards next pricing date in the case of floating exchange rates. The size of the gap in a given time band is analysed to study the interest rate exposure and the possible effects on the Bank's earnings.

In order to evaluate the earnings exposure, interest Rate Sensitive Assets (RSA) in each time band are netted off against the interest Rate Sensitive Liabilities (RSL) to produce a repricing gap for that time band. A positive gap indicates that the Bank has more RSA than RSL. A positive of asset sensitive gap means that an increase in market interest rates could cause an increase in the net interest margin and vice versa. Conversely, a negative or liability sensitive gap implies that the Bank's net interest margin could decline as a result of increase in market rates and vice versa.

The equity of the company is sensitive to changes in interest rates. Fluctuations in interest rates can impact the fair value of financial instruments, such as bonds and other interest-bearing securities, held by the company. These changes in fair value are recorded in other comprehensive income and directly affect the equity position of the company. The degree of sensitivity to interest rate changes is monitored and assessed regularly by management to manage potential risks to equity and overall financial stability. All government securities were held to collect and had no immediate impact on equity.

At 31 December 2023, if the interest rates on interest bearing assets and liabilities had been 100 basis points higher/lower with all other variables held constant, the pre-tax profit/loss for the year would have been Shs 2.91 Billion (2022: Shs2.66 billion) higher/lower. Effect on equity is Shs 2.04 Billion (2022: Shs 1.86 billion). The sensitivity analysis has been considered for only loans and advances to customers being the only financial instruments that are sensitive to changes in interest rates. All other interest linked financial instruments have fixed interest rates and as such are not considered sensitive to changes in interest rates.

6 Financial risk management (continued)

(c) Market risk (continued)

The table below summarises the Bank's exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

At 31 December 2023	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non- interest bearing	Total
Financial assets						
Cash and balances with Bank of Uganda	-	-	-	-	61,137,336	**61,137,336**
Deposits and placements with other banks	-	1,120,575	5,016,162	-	5,506,104	**11,642,841**
Government securities at amortised cost	5,000,000	12,500,000	21,276,923	15,839,225	-	**54,616,148**
Loans and advances to customers	6,853,748	21,204,289	109,775,334	153,571,054	-	**291,404,425**
Other assets	-	-	-	-	3,315,853	**3,315,853**
Total financial assets	**11,853,748**	**34,824,864**	**136,068,419**	**169,410,279**	**69,959,293**	**422,116,603**
Financial liabilities						
Customer deposits	180,435,062	65,112,047	8,795,298	-	22,383,873	**276,726,280**
Deposits and balances due to other banking institutions	3,379,000	6,210,000	14,607,024	-	-	**24,196,024**
Borrowings	-	1,765,738	13,451,435	51,884,920	-	**67,102,093**
Lease liability	-	-	3,688,183	10,838,678	-	**14,526,861**
Other liabilities	-	-	-	-	3,534,208	**3,534,208**
Total financial liabilities	**183,814,062**	**73,087,785**	**40,541,940**	**62,723,598**	**25,918,081**	**386,085,466**
Interest re-pricing gap						
At 31 December 2023	**(171,960,314)**	**(38,326,921)**	**95,526,479**	**106,686,681**		

6 Financial risk management (continued)

(c) Market risk (continued)

At 31 December 2022	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Financial assets						
Cash and balances with Bank of Uganda	-	-	-	-	56,721,546	**56,721,546**
Deposits and placements with other banks	7,114,185	35,053,605	17,122,496	-	5,038,490	**64,328,776**
Government securities at amortised cost	1,449,882	5,835,065	4,438,850	-	-	**11,723,797**
Loans and advances to customers	22,217,520	10,511,864	92,710,393	140,373,442	-	**265,813,219**
Other assets	-	-	-	-	3,257,333	**3,257,333**
Total financial assets	**30,781,587**	**51,400,534**	**114,271,739**	**140,373,442**	**65,017,369**	**401,844,671**
Financial liabilities						
Customer deposits	172,033,152	17,743,748	63,556,867	-	23,487,282	**276,821,049**
Deposits and balances due to other banking institutions	803,156	3,663,081	8,455,705	-	-	**12,921,942**
Borrowings	-	764,190	13,605,086	37,770,101	-	**52,139,377**
Lease liability	-	-	4,181,180	12,287,479	-	**16,468,659**
Other liabilities	-	-	-	-	3,745,280	**3,745,280**
Total financial liabilities	**172,836,308**	**22,171,019**	**89,798,838**	**50,057,580**	**27,232,562**	**362,096,307**
Interest re-pricing gap	**(142,054,721)**	**29,229,515**	**24,472,901**	**90,315,862**		

6 Financial risk management (continued)

(c) Market risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to ever be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

(d) Fair values of financial assets and liabilities

The fair value of financial instruments at amortised cost and other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the Bank at the balance sheet date.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like futures.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of input parameters like Bank of Uganda published data.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. The Bank considers relevant and observable market prices in its valuations where possible.

At 31 December 2023 (2022: Nil), the Bank did not have financial assets and liabilities measured at fair value.

7. CAPITAL MANAGEMENT

The Bank’s objectives when managing capital, which is a broader concept than the ‘equity’ on the balance sheet, are;

- To comply with the capital requirements as established by the Financial Institutions Act, 2004 (as amended 2016) and implementing the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018;
- To safeguard the Bank’s ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank for supervisory purposes. The required information is filed with the Central Bank on a monthly basis. Capital adequacy compliance is assessed based on the Basel I computation, however, Bank of Uganda is currently monitoring compliance with the Basel II requirements which will form part of the proposed amendments to the Capital Adequacy Regulations.

7 CAPITAL MANAGEMENT (CONTINUED)

Under the Financial Institutions Act, 2004, each Bank is required to: (a) hold the minimum level of regulatory paid up capital of Shs120 billion as at December 31, 2023; (2022: Shs120bn) (b) maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets at or above the required minimum of 12.5%; and (c) maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.

The Financial Institutions (Revision of Minimum Capital Requirements) Instrument, 2022 dated 16 November 2022 issued to Supervised Financial Institutions (SFIs) required all Tier 1 Financial Institutions to increase their capital positions to a minimum of Shs 120 billion by 31 December 2022 and then to Shs 150 billion by 30 June 2024.

The Bank was not in compliance with this requirement by Shs 60 billion as at 31 December 2023 (2022: Shs 60 billion). In line with Section 86(2)(b) of the Financial Institutions Act, 2004 (as amended in 2016) of Uganda, the Bank submitted a capital restoration plan to Bank of Uganda.

On 22 August 2023, Bank of Uganda gave the Bank authorisation to proceed with a share purchase transaction as presented in the capital restoration plan. The share purchase transaction was also to be subjected to Bank of Uganda vetting. The transaction involves a change in the Bank's capital structure and a requirement for conclusion in the time frame as advised by the Bank of Uganda being before 30 June 2024.

The Bank is concluding an equity investment transaction with Access Bank Plc and is on schedule to be closed within the time frame as advised by Bank of Uganda. The Bank and Access Bank PLC made a public announcement of a definitive investment agreement signed between the two banks on 17 January 2024. The investment was cleared to proceed by both the Bank of Uganda and Central Bank of Nigeria before the public announcement was made. As at the date of approval of these financial statements, the investment was pending Access Bank PLC's disbursement of the funds expected to re capitalise the Bank. The disbursement of the funds by Access Bank PLC is still subject to regulatory approval by the Central Bank of Nigeria. The disbursement is expected to be made by Access Bank PLC before 30 June 2024 which will bring the Bank's paid-up capital to Shs150 billion, within the minimum regulatory capital as required by law.

Refer to note 28 and 29 for changes in the share capital and expected changes to have the Bank meeting the capital requirements. Also refer to note 38 for events after reporting date on key updates relating to changes to the capital structure.

The Bank's total capital is divided into two tiers:

- Tier 1 capital (core capital) which upon applying the provisions of the Financial Institutions (Capital Adequacy Requirement) Regulation 2018, comprise Permanent Shareholders' Equity (issued and fully paid-up common shares and irredeemable, non-cumulative preference shares), share premium, prior years' retained profits, Net after-tax profits for current year-to-date and general reserves (permanent, unencumbered and able to absorb losses) less deductions of goodwill and other intangible assets, current year's losses, investments in unconsolidated financial subsidiaries, deficiencies in provisions for losses, prohibited loans to insiders and other deductions determined by the Financial Institutions Act 2004(amended 2018) and implementing the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018.

- Tier 2 capital (supplementary capital) which upon applying the provisions of the Financial Institutions (Capital Adequacy Requirement) Regulation 2018, comprise revaluation reserves on fixed assets, unencumbered general provisions for losses, subordinated debt and Hybrid capital instruments.

7 CAPITAL MANAGEMENT (CONTINUED)

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future growth of the Bank. The Bank monitors the adequacy of its capital using the above ratios of core capital and total capital as set out in the Financial Institutions Act 2004(Amended 2018). These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets and off-balance-sheet commitments at a weighted amount to reflect their relative risk. The leverage ratio is determined by dividing the core capital of the Bank by the Total assets of the bank plus off-balance sheet items.

Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed necessary to support them. Four categories of risk weights (0%, 20%, 50%, and 100%) are applied; for example, cash and balances with Bank of Uganda and Government of Uganda instruments have a zero risk weighting, which means that no capital is required to support the holding of these assets. Balances with other Banks have a 20% or 50% or 100% risk weighting balance because they carry some risk, while, property and equipment as well as Right of Use Asset carry 100% risk weighting, meaning that it must be supported by total capital equal to 12% of the carrying amount. Other asset categories have intermediate weightings.

Off-balance-sheet credit related commitments and forwards are taken into account by applying different categories of credit conversion factors, designed to convert these items into balance sheet equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for balance sheet assets.

In 2022, Bank of Uganda (BOU) issued Basel II guidelines for the computation of capital adequacy for commercial banks in Uganda. The computation for minimum capital requirements was amended to include all pillar 1 risks namely credit risk (including counterparty risk), market risk, and operational risk. Additionally, the credit risk weights for various asset classes was enhanced to include provisions for retail mortgages, regulatory retail exposures, Corporate SMEs, Items in Transit, other financial institutions, securities companies, defaulted exposures and trading book which qualify for the deminimis rule.

The capital adequacy compliance is assessed based on the Basel I computation, however, the Bank of Uganda is currently monitoring compliance with the Basel II requirements and intends to amend the Financial Institutions (Capital Adequacy) Regulations to include them.

The table below summarises the composition of regulatory capital and the ratios of the Bank at 31 December determined in accordance with the Financial Institutions Act:

	2023 Shs 000	2022 Shs 000
Core capital (Tier 1)		
Shareholder's equity	59,657,984	27,785,402
Retained earnings	4,685,816	34,719,456
Intangible assets	(5,101,273)	(2,512,195)
Unrealized foreign exchange gains	(866,418)	-
Total core capital	**58,376,109**	**59,992,663**
Supplementary capital (Tier 2)		
General provisions (FIA)	2,900,938	2,625,613
Tier 2 capital	**2,900,938**	**2,625,613**
Total capital (Tier 1 and Tier 2)	**61,277,047**	**62,618,276**

The risk weighted assets are measured by means of a hierarchy of four risk categories classified according to the nature of the asset and reflecting an estimate of the credit risk associated with each asset and counterparty, taking into account any eligible collateral or guarantees.

A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

7 CAPITAL MANAGEMENT (CONTINUED)

The table below summarises the composition of the risk weighted assets of the Bank at 31 December 2023:

	Balance sheet amount		Risk	Risk weighted amount	
	2023 Shs 000	2022 Shs 000	weight %	2023 Shs 000	2022 Shs 000
Balance sheet assets (net of provisions)					
Cash and balances with Bank of Uganda	61,137,336	56,721,546	0%	-	-
Deposits and placements with other banks (Banks)	6,775,573	64,328,776	20%	1,355,115	12,865,755
Deposits and placements with other banks (Mobile money)	4,867,268	3,421,434	100%	4,867,268	3,421,434
Government securities at amortised cost	54,616,148	11,723,797	0%	-	-
Loans and advances to customers	289,076,298	261,580,872	100%	289,076,298	261,580,872
Other assets	9,609,223	9,177,620	100%	9,609,223	9,177,620
Current income tax recoverable	112,109	112,109	100%	112,109	112,109
Property and equipment	17,661,316	14,191,733	100%	17,661,316	14,191,733
Intangible assets	5,101,273	2,512,195	0%	-	-
Right of use assets	14,185,184	16,727,666	100%	14,185,184	16,727,666
On balance sheet assets	**463,141,728**	**440,497,748**		**336,866,513**	**318,077,189**
Market risk adjustment:					-
Foreign exchange risk	1,499,211	2,651,191	100%	1,499,211	2,651,191
Off-balance sheet positions					
Guarantees	6,332,770	4,740,117	100%	6,332,770	4,740,117
Commitments to lend	873,846	797,427	50%	436,923	398,713
Off balance sheet items	**7,206,616**	**5,537,544**		**6,769,693**	**5,138,830**
Total risk-weighted assets				**345,135,417**	**325,867,210**

* The loans and advances to customers are derived based on FIA requirements. Shown below is a reconciliation of the amount recorded under IFRS on the statement of financial position to the amount recorded for FIA purposes:

Loans and advances to customers	2023 Shs '000	2022 Shs '000
Gross loans and advances (Note 19(a)	296,110,566	271,394,709
Less specific provisions (FIA)	(6,047,538)	(8,574,383)
Less interest in suspense	(861,399)	(1,045,814)
Cash collateral	(125,331)	(193,640)
Net Loans and advances	**289,076,298**	**261,580,872**
Capital ratios per Financial Institutions Act (FIA)		
Core capital	58,376,109	59,992,663
Total capital	61,277,047	62,618,276
FIA minimum ratio capital requirement		
Core capital (12.5%) (2022: 12.5%)	16.91%	18.41%
Total capital (14.5%) (2022:14.5%)	17.75%	19.22%

7 CAPITAL MANAGEMENT (CONTINUED)

Leverage ratio requirements

The Bank must at all times comply with a leverage ratio equal to or greater than 6% of the total balance sheet and off-balance sheet assets. The ratio is calculated as the core capital of the Bank divided by the total balance sheet of the Bank plus off-balance sheet exposure and is expressed as a percentage.

An assessment of the capital position shows that the Bank has adequate prudential capital to meet the minimum regulatory requirements.

Tier 1 leverage ratio computation	2023 Shs '000	2022 Shs '000
(a) Core capital	58,376,109	59,992,663
(b) Total Assets	465,469,855	441,308,661
(c) Off balance sheet items	7,206,616	5,537,544
Leverage ratio (6%) (a/b+c)	12.35%	13.43%

8 INTEREST INCOME CALCULATED USING EFFECTIVE INTEREST METHOD

	2023 Shs '000	2022 Shs '000
Loans and advances to customers	77,540,095	76,033,043
Government securities at amortised cost	6,276,304	1,271,545
Deposits and placements with other banks	4,917,830	4,606,626
	88,734,229	**81,911,214**

Interest income relates to income earned on financial assets held at amortised cost and is calculated using effective interest method.

9 INTEREST EXPENSE CALCULATED USING EFFECTIVE INTEREST METHOD

	2023 Shs '000	2022 Shs '000
Customer deposits	17,872,624	11,826,942
Deposits and balances due to other financial institutions	1,074,436	2,221,148
Lease liabilities	1,565,043	1,755,199
Borrowed funds	7,180,652	6,126,486
	27,692,755	**21,929,775**

Interest expense is computed using the effective interest method.

10 FEE AND COMMISSION INCOME

	2023 Shs '000	2022 Shs '000
Transactional fees and commission income	10,198,487	8,680,926
Amortization of loan service fees	7,565,713	7,074,263
Other credit related fees and commission income	775,510	5,288,810
	18,539,710	**21,043,999**

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies under IFRS 15
Credit related and transactional fees	The Bank provides banking services to its customers, including account management, provision of overdraft facilities, foreign currency transactions, and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees are charged to the customer's account when the transaction takes place. Periodic servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognized over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.

11 NET FOREIGN EXCHANGE INCOME

	2023 Shs '000	2022 Shs '000
Net realized foreign exchange (losses)/gains	(373,521)	204,022
Unrealized foreign exchange gains/(losses)	866,418	(423,001)
	492,897	**(218,979)**

12 OTHER OPERATING INCOME

	2023 Shs '000	2022 Shs '000
Grant income	107,111	169,369
Other income	818,123	749,161
	925,234	**918,530**

Other income is mainly composed of gains on disposal of Property and equipment and downward adjustment for prior year expense accruals and provisions.

13 ADMINISTRATIVE AND GENERAL EXPENSES

	2023 Shs '000	2022 Shs '000
a) Depreciation & amortization		
Depreciation of property and equipment (Note 20)	2,935,342	2,481,530
Depreciation of Right of Use (Note 32(i))	3,483,906	3,479,973
Amortization of Intangibles (Note 21)	776,019	618,402
	7,195,267	**6,579,905**
b) Operating Expenses		
Auditor's remuneration*	344,948	323,660
Legal fees	254,599	462,165
Professional fees	438,755	157,251
Rent and rates on short term leases and low value leases	30,695	112,800
VAT on rent payments	293,408	-
Advertising and promotion	2,773,781	3,119,545
Communication and technology	2,970,619	3,041,894
Maintenance of office building	307,424	859,718
Maintenance of office equipment	520,801	735,431
Printing & stationery	1,923,618	1,921,922
Security expenses - office guards	1,238,036	1,139,821
Security expenses - cash in transit	598,327	522,976
Insurance expenses	1,877,437	1,631,047
Bank charges	690,270	681,751
Loan recovery costs	1,314,835	1,247,677
Agent banking related costs	1,851,197	1,537,358
Transport and travel	742,262	643,453
Motor vehicle maintenance	1,820,227	1,579,710
Utilities costs	1,185,611	1,040,475
Others expenses**	1,835,961	1,238,600
	23,012,811	**21,997,254**

*The fees for the 2023 audit services are Shs 171 million and there were no non-assurance services provided by the external auditor for the year ended 31 December 2023.

**Other expenses include miscellaneous expenses, costs for newspapers and periodicals, printing of ATM cards, loss on disposal/derecognition of non-financial assets and costs for maintenance and repairs of ATM machines, generators, office furniture and fixtures.

14 PERSONNEL EXPENSES

	2023 Shs '000	2022 Shs '000
Salaries and wages	30,113,341	26,724,346
NSSF contributions	3,132,049	2,776,171
Defined contribution scheme contributions	1,719,368	1,323,378
Other staff costs	4,860,364	4,267,577
	39,825,122	**35,091,472**

Other staff costs relate to non-payroll employee costs majorly training, staff welfare, medical and recruitment costs.

15 INCOME TAX EXPENSE

(a) Income tax charge

	2023 Shs '000	2022 Shs '000
Current income tax charge	1,249,983	3,436,357
Deferred income tax (credit)/charge*	(330,778)	434,782
	919,205	**3,871,139**

*The deferred income tax credit for the year ended 31 December 2023 includes a prior year over provision of Shs 98 million (2022: Nil) as indicated in the reconciliation in note 15(b).

(b) Reconciliation of income tax charge

The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2023 Shs'000	2022 Shs'000
PROFIT BEFORE INCOME TAX	**4,651,267**	**12,419,372**
Tax at applicable rate of 30% (2022: 30%)	1,395,380	3,725,812
Adjustment for tax effect of:		
Expenses not deductible for tax purposes**	246,810	272,482
Income subject to withholding tax at 20%/10% as final tax	(1,874,974)	(381,464)
Withholding tax as final tax	1,249,983	254,309
Prior year deferred income tax over provision	(97,994)	-
Income tax charge	**919,205**	**3,871,139**

**The expenses not deductible for tax purposes comprise of expenses relating to staff welfare expenses, club membership for senior management, funeral expenses and the non-qualifying portion of depreciation.

(c) Current income tax recoverable

Current income tax recoverable was as follows:

	2023 Shs 000	2022 Shs 000
At 1 January	112,109	(571,873)
Current income tax charge	(1,249,983)	(3,436,357)
Income tax paid	1,249,983	4,120,339
At 31 December	**112,109**	**112,109**

16 CASH AND BALANCES WITH BANK OF UGANDA

	2023 Shs '000	2022 Shs '000
Balances with Bank of Uganda	34,380,311	31,050,681
Expected Credit Losses	(47,789)	(78,953)
Carrying amount Bank Balances with Bank of Uganda	**34,332,522**	**30,971,728**
Cash on hand	26,804,814	25,749,818
	61,137,336	**56,721,546**

The movement in the ECL allowance is analyzed further below;

At 1 January	(78,953)	(63,824)
Decrease/(increase) during the year	31,164	(15,129)
At 31 December	**(47,789)**	**(78,953)**

All balances with Bank of Uganda are stage 1 for purposes of ECLs and there has been no significant increase in credit risk during the year. The movements disclosed all happen with stage 1 and no transfers between stages.
The bank balances with Bank of Uganda were classified as normal under the internal credit grading system.

ECLs dropped due to improvement in the macro-economic environment and considering that Bank of Uganda balances are already considered low risk. No significant impact to ECLs due to changes in the gross carrying amount noted.

17 DEPOSITS AND PLACEMENTS WITH OTHER BANKS

	2023 Shs 000	2022 Shs 000
Balances with Banks in Uganda	5,675,253	5,126,791
Placements with other banking institutions - in Uganda	5,983,794	59,291,526
Gross carrying amount	**11,659,047**	**64,418,317**
Expected credit losses	(16,206)	(89,541)
	11,642,841	**64,328,776**

The movement in the ECL allowance is analyzed further below;

At 1 January	(89,541)	(69,181)
Decrease/(increase) for the year	73,335	(20,360)
At 31 December	**(16,206)**	**(89,541)**

The movement in the carrying amount of deposits and placements with other banks is analysed below;

	2,023 Shs 000	2,022 Shs 000
At 1 January	64,328,776	49,670,406
Net (maturities)/ additions	(52,571,894)	15,950,276
Accrued during the year	4,917,830	4,606,626
Interest received	(5,105,206)	(5,878,172)
ECL movement	73,335	(20,360)
At 31 December	**11,642,841**	**64,328,776**

All deposits and placements with other banks are stage 1 for purposes of ECLs and there has been no significant increase in credit risk during the year. The movements disclosed all happen with stage 1 and no transfers between stages.

The deposits with other banks were classified as normal under the internal credit grading system.

ECLs held on deposits and placements with other banks reduced due to a drop in the gross carrying amount which is also the exposure.

18 GOVERNMENT SECURITIES AT AMORTISED COST

	2023 Shs 000	2022 Shs 000
Treasury bills	32,243,985	11,723,797
Treasury bonds	22,372,163	-
	54,616,148	**11,723,797**
Maturity profile;		
Maturing within 90 days	17,500,000	7,500,000
Maturing later than 90 days	38,402,802	5,000,000
Undiscounted cashflows	**55,902,802**	**12,500,000**
Unearned interest	(1,167,750)	(758,828)
Gross carrying amount	**54,735,052**	**11,741,172**
Expected Credit Losses	(118,904)	(17,375)
Carrying amount	**54,616,148**	**11,723,797**
The movement in the ECL allowance is analyzed further below;		
At 1 January	(17,375)	(39,220)
(Increase)/decrease for the year	(101,529)	21,845
At 31 December	**(118,904)**	**(17,375)**

The movement in the government securities at amortised cost carrying amount is analysed below;

	2,023 Shs 000	2,022 Shs 000
At 1 January	11,723,797	25,912,416
Net additions/(maturities)	41,951,110	(13,450,708)
Accrued during the year	6,276,304	1,271,545
Interest received	(5,233,534)	(2,031,301)
ECL movement	(101,529)	21,845
At 31 December	**54,616,148**	**11,723,797**

All government securities at amortised cost are stage 1 for purposes of ECLs and there has been no significant increase in credit risk during the year. The movements disclosed all happen with stage 1 and no transfers between stages.

The government securities at amortised cost were classified as normal under the internal credit grading system.

The ECLs held on government securities increased due to growth in the gross carrying amount and exposure.

19 OTHER ASSETS

	2023 Shs 000	2022 Shs 000
Financial assets		
Settlement accounts	789,239	454,113
Western union & Money Gram receivables	2,234,844	1,637,085
Fees and commission receivable	543,453	1,166,135
	3,567,536	**3,257,333**
Expected credit losses*	(251,683)	-
	3,315,853	**3,257,333**
Non-financial assets		
Prepayments	3,028,671	2,465,740
Deferred staff expense	2,519,649	2,241,745
Stationery stock items	745,050	1,212,802
	9,609,223	**9,177,620**

***The movement in the ECL allowance is analyzed further below;**		
At 1 January	-	-
Increase for the year	(251,683)	-
At 31 December	**(251,683)**	**-**

Prepayments majorly relate to staff deferred costs and prepaid insurance.

All other assets in scope of IFRS 9 are stage 1 for purposes of ECLs and there has been no significant increase in credit risk during the year. The movements disclosed are all within stage 1 and there are no transfers between stages.

20 LOANS AND ADVANCES TO CUSTOMERS

a) Analysis of loan advances to customers by category:

	2023 Shs 000	2022 Shs 000
Term loans	295,198,288	269,745,736
Overdrafts	912,278	1,648,973
Total gross loans and advances	**296,110,566**	**271,394,709**
Expected credit losses	(4,706,141)	(5,581,490)
Net loans and advances	**291,404,425**	**265,813,219**

The weighted average effective interest rate on loans and advances to customers was 26.9% (2022: 27.7%).

Movements in provisions for impairment of loans and advances are as follows:

	Stage1 Shs 000	Stage2 Shs 000	Stage3 Shs 000	Total Shs 000
Year ended 31 December 2023				
At 1 January	2,092,834	314,866	3,173,790	5,581,490
Increase/(decrease) for the year	826,194	(47,784)	7,355,935	8,134,345
Written off during the year	(474,328)	(74,883)	(8,460,483)	(9,009,694)
At 31 December	**2,444,700**	**192,199**	**2,069,242**	**4,706,141**

20 Loans and advances to customers (Continued)

a) Analysis of loan advances to customers by category (Continued)

Year ended 31 December 2022

	Stage1 Shs 000	Stage2 Shs 000	Stage3 Shs 000	Total Shs 000
At 1 January	1,809,938	64,983	3,786,796	5,661,717
Increase in ECL for the year	818,800	421,358	6,440,953	7,681,111
Written off during the year	(535,904)	(171,475)	(7,053,959)	(7,761,338)
At 31 December	**2,092,834**	**314,866**	**3,173,790**	**5,581,490**

The analysis in the carrying amount of the loans is analysed below;

	2023 Shs 000	2022 Shs 000
At 1 January	265,813,219	242,527,791
Net extensions during the year	26,130,333	27,742,944
Accrued interest during the year	77,540,095	68,914,605
Interest received	(69,944,877)	(65,691,010)
ECL movement	(8,134,345)	(7,681,111)
At 31 December	**291,404,425**	**265,813,219**

20 Loans and advances to customers (Continued)

a) Analysis of loan advances to customers by category (Continued)

In Shs 000	Stage 1 Gross carrying amount	Stage 1 ECL	Stage 2 Gross carrying amount	Stage 2 ECL	Stage 3 Gross carrying amount	Stage 3 ECL	Total Gross carrying amount	Total ECL
At 1 January 2023	**237,889,443**	**2,092,834**	**14,889,999**	**314,866**	**18,615,267**	**3,173,790**	**271,394,709**	**5,581,490**
New exposures	273,869,849	1,832,089	9,473,182	211,644	5,223,651	507,448	288,566,682	2,551,181
Payments and assets derecognized	(238,429,847)	(1,434,342)	(12,131,904)	(89,721)	(3,387,293)	(224,100)	(253,949,044)	(1,748,163)
Transfer out of stage 1	(3,630,381)	(59,288)	3,584,248	52,332	46,133	6,956	-	-
Transfer out of stage 2	1,356,365	13,407	(3,241,453)	(296,922)	1,885,088	283,515	-	-
Staff loans below market interest rate fair valuation difference	(892,085)	-	-	-	-	-	(892,085)	-
Write off	-	-	-	-	(9,009,696)	(1,678,367)	(9,009,696)	(1,678,367)
At 31 December 2023	**270,163,344**	**2,444,700**	**12,574,072**	**192,199**	**13,373,150**	**2,069,242**	**296,110,566**	**4,706,141**
At 1 January 2022	**217,831,947**	**1,809,938**	**6,313,815**	**64,983**	**24,043,746**	**3,786,796**	**248,189,508**	**5,661,717**
New exposures	244,355,917	1,415,600	14,667,862	1,263,763	9,138,630	697,904	268,162,409	3,377,267
Payments and assets derecognized	(221,968,157)	(1,095,288)	(4,421,390)	(590,453)	(10,075,553)	(405,018)	(236,465,100)	(2,090,759)
Transfer out of stage 1	(3,017,719)	(52,880)	2,927,992	38,144	89,727	14,736	-	-
Transfer out of stage 2	1,474,227	15,464	(4,598,280)	(461,571)	3,124,053	446,107	-	-
Staff loans below market interest rate fair valuation difference	(786,772)	-	-	-	-	-	(786,772)	-
Write off	-	-	-	-	(7,705,336)	(1,366,735)	(7,705,336)	(1,366,735)
At 31 December 2022	**237,889,443**	**2,092,834**	**14,889,999**	**314,866**	**18,615,267**	**3,173,790**	**271,394,709**	**5,581,490**

20 Loans and advances to customers (Continued)

a) Analysis of loan advances to customers by category (Continued)

Commentary on changes in ECLs year on year at different stages
The ECLs on the stage 1 increased by 17% due to the increase in gross loans which ultimately had an impact on the exposure included the ECL modelling. The bank has put in place stringent measures and created Recovery department that is solely focused on the recovery and follow up of defaulted loans.

The ECLs on stage 2 and 3 facilities decreased by 39% and 35% respectively due to the following factors;

- Establishment of the recovery department focused on recovery and monitoring of the defaulted loans. This has registered a drop in the stage 2 and 3 gross loans and ultimately reduced the ECLs recorded on those stages.
- The bank also had major write offs during the period which lead to the drop in the ECLs and gross loans especially on stage 3.
- The bank has a major part of its exposure (40%) to agriculture and with the adverse weather conditions the different customers experienced low yields which led to default and ultimately increase in write offs during the year.

(b) Net changes in impairment losses on financial assets (credited)/charged to profit or loss

	2023 Shs 000	2022 Shs 000
(Decrease)/increase in ECLs on balances with Bank of Uganda (note 16)	(31,164)	15,129
(Decrease)/increase in ECLs on Bank balances (note 17)	(73,335)	20,360
Increase/(decrease) in ECLs on government securities at amortised cost (note 18)	101,529	(21,845)
Increase in ECLs on other assets (note 19)	251,683	-
Increase in ECLs on loans and advances to customers (note 20(a))	803,018	1,286,508
Direct write off of loans and advances to customers	7,331,329	6,338,601
Recovery of previously written off loans and advances to customers	(2,068,212)	(2,001,767)
	6,314,848	**5,636,986**

(c) Regulatory Credit Risk Reserve

The regulatory credit risk reserve represents an appropriation from retained earnings to comply with the Financial Institutions (Credit Classification and Provisioning) Regulations, 2005. The reserve represents the excess of impairment provisions on loans and advances to customers determined in accordance with these regulations over the impairment provisions determined in accordance with IFRS 9 Financial Instruments. The reserve is not available for distribution to shareholders.

The reserve as at year-end was determined as follows:

	2023 Shs 000	2022 Shs 000
IFRS 9 – Expected credit losses	**4,706,141**	**5,767,359**
Total provisions as required under the FIA		
Specific provisions	6,047,538	8,574,383
General provisions	2,900,937	2,625,613
	8,948,475	**11,199,996**
Regulatory credit risk reserve (Excess of FIA provisions above IFRS provisions)	**4,242,334**	**5,432,637**

21 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles/ Cycles	Computer Hardware	Fixtures, fittings and equipment	Work in progress	Total
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Year Ended 31 December 2023						
Opening carrying amount	**530,070**	**2,682,289**	**1,384,133**	**7,456,788**	**2,138,453**	**14,191,733**
Additions	-	1,087,447	938,618	5,167,518	766,245	7,959,828
Transfers to intangibles	-	-	-	-	(1,521,350)	(1,521,350)
Transfers from WIP	-	-	-	472,196	(472,196)	-
Depreciation charge	(8,227)	(773,235)	(644,047)	(1,509,833)	-	(2,935,342)
Disposals	-	(70,400)	(27,445)	(28,613)	-	(126,458)
Depreciation on disposals	-	53,107	20,493	19,305	-	92,905
Closing carrying amount	**521,843**	**2,979,208**	**1,671,752**	**11,577,361**	**911,152**	**17,661,316**
Cost	603,734	6,323,631	7,884,383	24,321,750	911,152	40,044,650
Accumulated depreciation	(81,891)	(3,344,423)	(6,212,631)	(12,744,389)	-	(22,383,334)
Carrying amount	**521,843**	**2,979,208**	**1,671,752**	**11,577,361**	**911,152**	**17,661,316**
Year Ended 31 December 2022						
Opening carrying amount	**538,298**	**2,434,603**	**1,159,205**	**4,406,413**	**532,702**	**9,071,221**
Asset reconciliation adjustment			24,432	149,362	-	173,794
Additions	-	1,145,400	735,489	2,046,255	3,796,179	7,723,323
Transfers to intangibles					(107,847)	(107,847)
Transfers from WIP	-	-		2,082,581	(2,082,581)	-
Depreciation charge	(8,228)	(811,904)	(487,677)	(1,173,721)	-	(2,481,530)
Disposals	-	(527,215)	(241,674)	(182,336)	-	(951,225)
Depreciation on disposals	-	441,405	194,358	128,234	-	763,997
Closing carrying amount	**530,070**	**2,682,289**	**1,384,133**	**7,456,788**	**2,138,453**	**14,191,733**
Cost	603,734	5,306,583	6,973,211	18,710,649	2,138,453	33,732,630
Accumulated depreciation	**(73,664)**	(2,624,294)	(5,589,078)	(11,253,861)	-	(19,540,897)
Carrying amount	**530,070**	**2,682,289**	**1,384,133**	**7,456,788**	**2,138,453**	**14,191,733**

22 INTANGIBLE ASSETS

	2023 Shs 000	2022 Shs 000
Net book amount at 1 January	2,512,195	2,991,114
Additions: Computer Software	1,843,747	31,636
Transfer from property and equipment	1,521,350	107,847
Amortization	(776,019)	(618,402)
Carrying amount at 31 December	**5,101,273**	**2,512,195**
Cost	12,011,906	8,646,808
Accumulated depreciation	(6,910,633)	(6,134,613)
Carrying amount	**5,101,273**	**2,512,195**

The intangible assets relate to computer software acquired to support the Bank's operations.

23 CUSTOMER DEPOSITS

	2023 Shs 000	2022 Shs 000
Current and demand deposits	22,383,873	23,487,282
Savings accounts	180,435,062	172,033,152
Fixed deposit accounts	73,907,345	81,300,615
	276,726,280	**276,821,049**

The weighted average effective interest rate on customer deposits was 6.46% (2022:4.27%).

The movement in customer deposits during the year is analysed below;

	2,023 Shs 000	2,022 Shs 000
At 1 January	276,821,049	183,432,709
Net deposits	156,012	95,190,259
Accrued interest during the year	17,872,624	11,826,942
Interest paid during the year	(18,123,405)	(13,628,861)
At 31 December	**276,726,280**	**276,821,049**

24 DEPOSITS AND BALANCES DUE TO OTHER BANKING INSTITUTIONS

	2023 Shs 000	2022 Shs 000
Money market borrowing*	3,003,616	-
Term deposits	21,192,408	12,921,942
	24,196,024	**12,921,942**

Term deposits with other banking institutions are interest bearing. The weighted average effective interest rate on deposits and balances due to other banking institutions was 12.79% (2022: 12.23%).

*The Money Market borrowing (MMB) relates to a 9-day short term borrowing from Centenary Bank at a rate of 11%. This was obtained on 27th December 2023.

The movement in the carrying amount of deposits and balances due to other banking institutions is analysed below;

	2,023 Shs 000	2,022 Shs 000
At 1 January	12,921,942	69,465,145
Net receipts/(repayments)	10,581,674	(56,925,231)
Accrued interest during the year	1,074,436	2,221,148
Interest paid	(382,028)	(1,839,120)
At 31 December	**24,196,024**	**12,921,942**

25 BORROWINGS

	2023 Shs 000	2022 Shs 000
Uganda Development Bank	2,187,405	3,187,391
aBi Finance	13,262,906	10,947,348
Uganda Energy Credit Capitalisation Company	62,500	187,500
East Africa Development Bank	4,652,790	5,712,653
Symbiotics S.A.	43,572,302	29,383,731
Agricultural Credit Facility	3,364,190	2,720,754
	67,102,093	**52,139,377**

The movement in borrowings is analyzed as follows:

	2023 Shs 000	2022 Shs 000
At 1 January	52,139,377	38,875,660
Receipts for borrowings	27,347,759	17,899,436
Accrued interest	7,180,652	6,126,486
Interest paid	(6,010,094)	(6,247,359)
Repayments for borrowings	(13,555,601)	(4,514,846)
At 31 December	**67,102,093**	**52,139,377**

The statement of financial position in the audited financial statements for the year ended 31 December 2022 showed the borrowings were at Shs 49,418,623 (amounts '000) and the comparative amount in the statement of financial position in these financial statements has changed to Shs 52,139,377 (amounts '000) due to reclassification of the Bank of Uganda – Agricultural Lending Facility amount of Shs 2,720,754 (amounts '000) from other liabilities to borrowings.

The reclassification was made due to the underlying nature of the Bank of Uganda – Agricultural Lending Facility being a borrowing from Bank of Uganda for purposes of supporting lending to the agricultural sector. The amounts were considered to best fit being reported as borrowings rather than other liabilities. The reclassification is within liabilities and therefore no fundamental change to the view of the statement of financial position and the amounts as currently reported ensure comparability since the facility is reported under borrowings in the current year.

The bank was in compliance with all borrowing covenants as stipulated in its borrowing agreements.
Other details are indicated below.

25 BORROWINGS (CONTINUED)

The terms and conditions relating to borrowings are tabulated below:

Lender	Amount advanced	Currency	Interest	Tenure (Years)	Start date	Maturity date	Key covenants	Security	Purpose of loan	2023 Amount Shs 000	2022 Amount Shs 000
UDB Loan(2)	5,000,000,000	UGX	6.00%	5	11/12/2020	11-Dec-25	None	1. Lien over the performing loan portfolio. 2. Guarantee by Uganda Women's Trust	To facilitate on-lending to qualifying agriculture and agro processing activities	2,187,405	3,183,256
aBi 2022 Ltd Loan	4,000,000,000	UGX	12.28%	5	11/03/2021	11/03/2026	Quarterly debt equity ratio not exceeding 3:1	Debenture over the performing loan portfolio encumbered up to 120%	Financing agribusinesses and technology initiatives	2,002,691	2,892,777
aBi 2020 Ltd Loan	3,000,000,000	UGX	12.28%	5	29/06/2021	29/06/2026				1,652,220	2,253,028
aBi 2020 Ltd Loan	1,000,000,000	UGX	12.28%	5	29/06/2021	29/06/2026				550,740	751,009
aBi 2020 Ltd Loan	5,000,000,000	UGX	11.90%	5	30/11/2022	30/11/2027			Lending to agribusiness clients	4,301,060	5,050,534
aBi 2020 Ltd Loan	5,000,000,000	UGX	11.90%	5	30/06/2023	30/06/2028				4,756,195	-
UECCC(1) Loan	500,000,000	UGX	5.00%	2.5	04/03/2022	30/06/2024	None	None	Facilitating on grid electricity connections	62,500	187,500
EADB(1) Loan	1,500,000	EUR	12.00%	8	03/08/2015	03/08/2023	1. Non-Performing Loan ratio not exceeding 6% 2. Operating expenses to operating income not to exceed 75%	1. Assignment of the loan book of a value that is at least 150% of the total principal amount 2. A treasury bond or T-bill with a face value of at least 50% the facility	Lending to small and medium enterprises in sectors such as organic agriculture, forestry and apiculture, fisheries, wildlife, eco-tourism and renewable energy	-	838,366
EADB(2) Loan	500,000	EUR	12.00%	7	29/09/2020	29/09/2027				1,505,956	1,860,930
EADB(3) Loan	500,000	EUR	12.00%	7	29/09/2020	29/09/2027				1,565,649	1,959,014
EADB(4) Loan	500,000	EUR	9.00%	7	12/08/2022	12/08/2029				1,581,186	1,058,478
Symbiotics S.A. 1	2,500,000	USD	12.00%	3	22/03/2021	22/03/2024	1. A ratio of foreign currency assets minus foreign currency liabilities to the capital of between (25%) and 25% 2. A capital adequacy ratio of not less than the higher of 14% and the	None	Lending to micro,small or medium enterprises and middle income households	4,728,407	9,458,481

Lender	Amount advanced	Currency	Interest	Tenure (Years)	Start date	Maturity date	Key covenants	Security	Purpose of loan	2023 Amount Shs 000	2022 Amount Shs 000
							capital adequacy as may be required by Bank of Uganda 3. Maintain unencumbered assets of an amount equal to at least 50% of the issuer's total assets				
Symbiotics S.A. 2	750,000	USD	12.00%	3	29/10/2021	29/10/2024	1. Maintain a ratio of Foreign currency assets minus foreign currency liabilities to the capital of between -25% and 25% 2. Maintain a capital adequacy ratio of not less than the higher of 14% and the capital adequacy as may be required by Bank of Uganda 3. Unencumbered assets of an amount equal to at least 50% of the issuer's total assets	None	Lending to micro,small or medium enterprises and middle income households	1,811,664	3,623,731
Symbiotics S.A. 3	750,000	USD	12.00%	3	02/11/2021	29/10/2024				1,358,748	2,717,798
Symbiotics S.A. 4	750,000	USD	12.00%	3	11/05/2021	11/05/2024				1,356,544	2,712,808
Symbiotics S.A. 5	2,500,000	USD	12.00%	3	04/05/2022	04/05/2025				10,869,974	10,870,913
Symbiotics S.A. 6	3,217,440	USD	12.25%	2	13/06/2023	13/07/2025				12,166,884	-
Symbiotics S.A. 7	3,000,000	USD	12.25%	3	28/12/2023	28/12/2026				11,280,082	-
Bank of Uganda – Agricultural Lending Facility	3,364,189,945	UGX	Capped at 12%	Open	1/06/2018	Due on demand as may be agreed by the Bank and BOU.	None	The loan book for the loans advanced.	To lend to agricultural businesses	3,364,190	2,720,754
									Total	**67,102,093**	**52,139,377**

26 (a) OTHER LIABILITIES

	2023 Shs 000	2022 Shs 000
Financial liabilities		
Accruals and sundry payables	2,440,836	2,842,559
Loan Insurance payable	320,169	229,865
Others	773,203	672,856
Total financial liabilities	**3,534,208**	**3,745,280**

Others mainly include CRB fees payable, mobile banking collections payable, unpresented drafts and title processing fees payable.
Accruals and sundry payables mainly include suppliers' and bills payables and accruals for expenses incurred but not yet invoiced at year end.

Non-financial liabilities	2023 Shs 000	2022 Shs 000
Other taxes payable	2,449,242	1,463,671
Gratuity and pensions	1,117,761	1,447,708
Grants liabilities	573,869	671,295
Others	317,739	135,195
NSSF payable	389,459	353,828
Total non-financial liabilities	**4,848,070**	**4,071,697**
Total other liabilities	**8,382,278**	**7,816,977**

Grant liabilities relate to grant funds advanced to the Bank to support implementation of defined projects. These funds are accounted for as ordinary liabilities until they are applied to the relevant revenue or capital expenditure projects at which point they are reclassified into either revenue grants that are offset from the total expenditure or capital grants that are still deferred under liabilities and released as the Bank enjoys the services of the funded assets.

Other liabilities and accounts payable are non-interest bearing and are normally settled between 0-90 days. The Bank gives no collateral in respect to these payables.

26 (b) CONTRACT LIABILITIES

	2023 Shs 000	2022 Shs 000
Deferred income	4,437,082	4,409,664
	4,437,082	**4,409,664**

Deferred income relates to unearned loan service fees.

The reconciliation of movement in the contract liabilities during the year is disclosed below:

	2023 Ushs '000	2022 Ushs '000
At the beginning of the year	4,409,664	4,598,576
Additions	7,593,131	6,885,351
Revenue recognised during the year	(7,565,713)	(7,074,263)
At 31 December	**4,437,082**	**4,409,664**

26 (b) CONTRACT LIABILITIES (CONTINUED)

Future realisation of contract liabilities is expected to be as follows:

As at 31 December 2022

	Within 1 year	Within 1 to 5 years	Over 5 years	Total
	Shs 000	Shs 000	Shs 000	Shs 000
Deferred income	3,174,306	1,262,776	-	**4,437,082**

As at 31 December 2022

	Within 1 year	Within 1 to 5 years	Over5 years	Total
	Shs 000	Shs 000	Shs 000	Shs 000
Deferred Income	3,253,946	1,155,718	-	**4,409,664**

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2023	2022
Revenue recognised that was included in the contract liabilities balance at the beginning of the period.	Shs 000	Shs 000
Deferred income	3,253,946	3,679,704

26 (c) PROVISIONS

The provisions majorly relate to litigation against the bank and other provisions. The other provisions include provision for open tax matters (mainly PAYE and Excise duty), provision for restoration obligations and other sundry provisions.

Movement analysis in provisions is indicated below;

	Litigations provisions		Other provisions		Total	
	2023	2022	2023	2022	2023	2022
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
At 1 January	733,000	788,601	910,607	855,006	1,643,607	1,643,607
Increase/(decrease) during the year	(232,048)	(55,601)	(717,569)	55,601	(949,617)	-
At 31 December	**500,952**	**733,000**	**193,038**	**910,607**	**693,990**	**1,643,607**

The provisions are considered as uncertain in amount since the final payouts are dependent on how the litigations and open tax matters are concluded by the courts. The other obligations are also uncertain in amount considering that the amounts to be paid will be subject to contracting of suppliers who will deliver on the provided items. The timing is also uncertain considering that the courts and events are not allocated specific timelines.

27 DEFERRED INCOME TAX LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate of 30%.

The movement analysis for deferred tax is as follows:

Year ended 31 December 2023	01-Jan-23 Shs 000	Charged/ (credited) to P/L Shs 000	31-Dec 2023 Shs 000
Accelerated depreciation on property and equipment	1,307,139	265,508	1,572,647
Leases	77,702	136,621	214,323
IFRS 9 Vs Specific Provisions as per FIA	840,334	(492,784)	347,550
Unrealised exchange Losses	(235,944)	97,392	(138,552)
Unrealised exchange Gains	107,806	152,119	259,925
Gratuity provision	(234,239)	(59,991)	(294,230)
Capital grants	(86,021)	31,090	(54,931)
Accrued leave provisions	(33,210)	(6,257)	(39,467)
Non-product provisions	(493,082)	209,380	(283,702)
Staff terminal benefits provision	(100,594)	98,963	(1,631)
Tax losses	-	(762,819)	(762,819)
	1,149,891	(330,778)	819,113

The amount of unused tax losses for the year ended 31 December 2023 is Shs 2.543 billion (2022: Nil). The Income Tax Act provides that an entity can only carry forward tax losses for seven years. After the seven years, an entity is restricted to claiming only 50 percent of their total tax losses in the next year. The directors have assessed that the Bank will utilise the carry forward tax losses within the seven years and therefore recognised the benefit in full.

Year ended 31 December 2022	01-Jan-22 Shs 000	Charged/ (credited) to P/L Shs 000	31-Dec 2022 Shs 000
Accelerated depreciation on property and equipment	967,794	339,345	1,307,139
Leases	124,617	(46,915)	77,702
IFRS 9 Vs specific provisions as per FIA	818,941	21,393	840,334
Unrealised exchange losses	(67,032)	(168,912)	(235,944)
Unrealised exchange gains	-	107,806	107,806
Gratuity provision	(242,123)	7,884	(234,239)
Capital grants	(136,832)	50,811	(86,021)
Accrued leave provisions	(27,664)	(5,546)	(33,210)
Non-product provisions	(722,592)	229,510	(493,082)
Staff terminal benefits provision	-	(100,594)	(100,594)
	715,109	434,782	1,149,891

28 SHARE CAPITAL

Authorized share capital	Number of Authorized ordinary shares	Authorized ordinary share capital @Shs 1000 per share Shs 000
Year ended 31 December 2023		
At start of year	30,000,000	30,000,000
Additions during the year	120,000,000	120,000,000
At year end	**150,000,000**	**150,000,000**
Year ended 31 December 2022		
At start/end of year	**30,000,000**	**30,000,000**

On 03 May 2023 the shareholders resolved to increase the Bank's authorised share capital from Shs 30billion to Shs 150billion. The par value of each share was maintained at Shs 1000.

28 SHARE CAPITAL (CONTINUED)

Paid up share capital

	Number of shares issued & fully paid	Paid up ordinary share capital @Shs 1000 per share Shs 000
Year ended 31 December 2023		
At start of year	27,785,402	27,785,402
Rights issue	31,872,582	31,872,582
At year end	**59,657,984**	**59,657,984**
Year ended 31 December 2022		
At start/end of year	**27,785,402**	**27,785,402**

A rights issue of Shs 31.9 billion was approved during the year and as a result retained earnings were capitalized, resulting in an increase of paid-up ordinary share capital to Shs 59.7 million (2022: Shs27.8 million). Ordinary shareholders are entitled to dividends when declared and possess one vote each during the annual general meeting.

29 BANK SHAREHOLDING

The Bank shareholders are as follows:

Holding

Shareholder:	**Country of incorporation**	**2023**	**2022**
Uganda Women Trust (UWT)	Uganda	20.1%	20.1%
Oiko Credit Ecumenical Development Cooperative Society U,A	Netherlands	19.6%	19.6%
Progression Eastern African Micro Finance Equity Fund	Netherlands	18.3%	18.3%
RIF North 1 Investment	Mauritius	18.3%	18.3%
I&P Afrique Entrepreneurs	Mauritius	14.2%	14.2%
Founder Members	Uganda	9.5%	9.5%
		100.00%	**100.00%**

On 14 August 2023 the shareholders resolved to authorise Access Bank PLC to acquire shareholding of existing institutional shareholders. Access Bank PLC was also authorised to take up 35 million shares equal to Shs 35 billion.

The shareholders also resolved to have a further capital injection of Shs 55.4billion by Access Bank PLC and all other remaining shareholders on a prorata basis by 30 June 2024. The Bank was authorised to enter into a share subscription agreement and the directors were authorised to conclude the transaction on the Bank’s behalf.

Refer to note 38 for details on events after reporting date.

30 CASH AND CASH EQUIVALENTS

	2023 Shs 000	2022 Shs 000
Cash and balances with Bank of Uganda (note 16)	61,137,336	56,721,546
Less: cash reserve requirement	(28,960,000)	(26,360,000)
	32,177,336	30,361,546
Deposits and placements with other banks	5,489,678	31,486,791
Government securities at amortised cost	-	7,500,000
	37,667,014	**69,348,337**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with Central Bank, treasury and other eligible bills, and deposits and placements with other banks. Cash and cash equivalents exclude the cash reserve requirement held with Bank of Uganda amounting to Shs 28,960 million (2022: Shs 26,360 million). The cash reserve requirement is computed by the Central Bank as a percentage of customer deposits over a cash reserve cycle of two weeks. The cash reserve is not available for use by the Bank as non- compliance results in sanctions from the Central Bank.

31 LEASES

Information about leases for which the Bank is a lessee is presented below:

i) Right-of- use assets

Right-of-use assets relate to leased branch and office premises.

	2023 Shs 000	2022 Shs 000
At 1 January	24,686,015	20,063,773
Cash additions	89,564	394,714
Non cash additions	935,850	7,856,967
Remeasurement of ROU*	-	(1,779,064)
Write offs**	(249,543)	(1,850,375)
At 31 December	**25,461,886**	**24,686,015**
Amortization		
As at 1 January	(7,958,349)	(5,835,879)
Charge for the year	(3,483,906)	(3,479,973)
Write Offs	165,553	1,357,503
At 31 December	**(11,276,702)**	**(7,958,349)**
Net book value		
At 31 December	**14,185,184**	**16,727,666**

* The lease remeasurement in prior year relates to an adjustment for value added tax which is a non-lease component.
** Relates to termination of leases resulting from branch relocations from Lwengo and Katwe branches during the year.

31 LEASES (CONTINUED)

ii) Lease liabilities

The movement in the lease liabilities is analyzed below;

	2023 Shs 000	2022 Shs 000
Lease liabilities at 1 January	16,468,659	14,220,011
Foreign exchange differences	(167,342)	423,001
Lease remeasurement	-	(1,779,064)
Lease liabilities during the year	935,850	7,856,967
Lease charge for the year	1,565,043	1,755,199
Lease Interest payments during the year	(1,330,287)	(1,465,044)
Lease principal payments during the year	(2,850,893)	(3,737,143)
Terminations during the year	(94,169)	(805,268)
Lease liabilities at 31 December	**14,526,861**	**16,468,659**
Not later than 1 year	3,688,183	4,181,180
Later than 1 year but less than 5 years	10,838,678	12,287,479
	14,526,861	**16,468,659**

Average discount rate for the year ended 31 December 2023 was 12% (2022:11%).

iii) Renewal options

Some leases of the Bank's office premises contain renewal options exercisable by the Bank up to one year before the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The renewal options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the renewal options. The Bank reassesses whether it is reasonably certain to exercise the renewal options if there is a significant event or significant changes in circumstances within its control.

32 EARNINGS PER SHARE

	2023 Shs 000	2022 Shs 000
Profit attributable to equity holders of the Bank	3,732,062	8,548,233
Weighted average number of ordinary shares in issue	59,657,984	27,785,402
Earnings per share (expressed in Shs per share)	**0.063**	**0.308**

33 RELATED PARTY DISCLOSURES

The Bank's immediate and ultimate parent is Uganda Women's Trust, which holds a 20.5% (2022: 20.1%) stake in the Bank. The rest of the ownership interests are held by four institutional shareholders and 74 founder members.

The details of related-party transactions and outstanding balances at year-end were as follows:

	2023 Shs 000	2022 Shs 000
Loans & Advances to related parties		
Loans and advances to key management:	2,778,531	1,788,892
Loans and advances to Directors:	1,186,960	906,830
Loans and advances to Shareholders:		
Ms Lydia Ochieng Obbo on behalf of Fredrick Obbo	124,557	147,200
TOTAL	**4,090,048**	**2,842,922**

33 RELATED PARTY DISCLOSURES (CONTINUED)

Key management compensation	2023 Shs 000	2022 Shs 000
Salaries and short-term employment benefits	4,566,973	3,773,131
Terminal benefits	1,163,728	988,065
Other staff benefits	471,120	292,971
	6,201,821	**5,054,167**

Other staff benefits include airtime and internet allowances, club and gym memberships costs and housing allowances.

Directors' remuneration		
Directors' fees	617,713	457,851

Insider lending disclosures

As required by the Financial Institutions (Insider-Lending Limits) Regulations, 2005, section 8(4), below are the disclosures of the names of, and the amount, range of interest rates and performance status of any lending to;

Directors

	Designation	Status	Amount Shs 000	Interest rate (WAR)
2023				
Particulars				
Nakawunde Annet Mulindwa	Managing Director	Performing	538,292	**10%**
Nansubuga Annette Kiggundu	Executive Director	Performing	648,669	**10%**
			1,186,960	
2022				
Particulars				
Nakawunde Annet Mulindwa	Managing Director	Performing	363,266	10%
Nansubuga Annette Kiggundu	Executive Director	Performing	543,564	10%
			906,830	

Affiliates

	Affiliation	Status	Amount Shs 000	Interest rate
2023				
Particulars				
Frederick Obbo	Partner to Shareholder - Ms Lydia Ochieng Obbo	Performing	124,557	22%
			124,557	
2022				
Particulars				
Frederick Obbo	Partner to Shareholder - Ms Lydia Ochieng Obbo	Performing	147,200	22%
			147,200	

All loans to directors and affiliates are secured.

There were no loans to associates, shareholders and companies in which the directors and shareholders have a direct or indirect interest for both periods presented.

34 OFF BALANCE SHEET ITEMS

The Bank conducts business involving guarantees and performance bonds and indemnities. Letters of guarantee and performance bonds are issued by the Bank, on behalf of customers, to guarantee performance by customers to third parties. Guarantees carry similar credit risk to loans because the Bank must meet these obligations in the event of default by the customers. Commitments to lend (Undrawn loan commitments) are agreements to lend to customers in future subject to certain conditions. Such commitments are normally made for fixed periods. The Bank may withdraw from its contractual obligations to extend credit by giving reasonable notice to the customers. The nominal values of these commitments are listed below:

	2023 Shs 000	2022 Shs 000
Guarantees and performance bonds	6,332,770	4,740,117
Undrawn loan commitments	873,846	797,427
	7,206,616	**5,537,544**

Expected credit losses on the off -balance sheet items were immaterial on both reporting dates presented and as such not recognised in the financial statements.

35 DIVIDENDS

No interim dividend was paid during the year 2023 (2022: Nil). After the reporting date, the Board of Directors did not propose any dividend payout for the year 2023 (2022: Nil).

During the year ended 31 December 2023 no dividends were paid out (2022: Shs 1,831,149 (amounts in '000)). The dividend paid in the year ended 31 December 2022 related to the proposed dividend for the year ended 31 December 2021 which was approved in the Annual General Meeting held in 2022.

36 CONTINGENT LIABILITIES

The Bank is a defendant in various legal actions in the normal course of business. The total estimated contingent liability arising from these cases is Shs 754.95 million (2022: Shs 1,314 million). Through legal advice, management has determined that total probable losses to the Bank are Shs 500.95 million (2022: Shs 733 million) for which a provision has been made in the financial statements as presented in Note 26. In the opinion of the directors and after taking appropriate legal advice, no significant additional losses are expected to arise from the open litigation cases.

37 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

At 31 December 2023	Within 12 months Shs 000	After 12 months Shs 000	Total Shs 000
ASSETS			
Cash and balances with Bank of Uganda	61,137,336	-	61,137,336
Deposits and placements with other banks	11,642,841	-	11,642,841
Government securities at amortised cost	38,776,923	15,839,225	54,616,148
Loans and advances to customers	137,833,371	153,571,054	291,404,425
Other assets	9,609,223	-	9,609,223
Current income tax recoverable	112,109	-	112,109
Right of use assets	-	14,185,184	14,185,184
Property and equipment	-	17,661,316	17,661,316
Intangible assets	-	5,101,273	5,101,273
Total assets	**259,111,803**	**206,358,052**	**465,469,855**
Liabilities			
Customer deposits	276,726,280	-	276,726,280
Deposits and balances due to banking institutions	24,196,024	-	24,196,024
Borrowings	15,217,173	51,884,920	67,102,093
Other liabilities	8,382,278	-	8,382,278
Provisions	693,990	-	693,990
Contract liabilities	3,174,306	1,262,776	4,437,082
Lease liabilities	3,688,183	10,838,678	14,526,861
Deferred tax liability	-	819,113	819,113
Total liabilities	**332,078,234**	**64,805,487**	**396,883,721**

At 31 December 2022	Within 12 months Shs 000	After 12 months Shs 000	Total Shs 000
ASSETS			
Cash and balances with Bank of Uganda	56,721,546	-	56,721,546
Deposits and placements with other banks	64,328,776	-	64,328,776
Government securities at amortised cost	11,723,797	-	11,723,797
Loans and advances to customers	125,439,777	140,373,442	265,813,219
Other assets	9,177,620	-	9,177,620
Current income tax recoverable	112,109	-	112,109
Right of use assets	-	16,727,666	16,727,666
Property and equipment	-	14,191,733	14,191,733
Intangible assets	-	2,512,195	2,512,195
TOTAL ASSETS	**267,503,625**	**173,805,036**	**441,308,661**
Liabilities			
Customer deposits	276,821,049	-	276,821,049
Deposits and balances due to other banking institutions	12,921,942	-	12,921,942
Borrowings	14,369,276	37,770,101	52,139,377
Lease liabilities	4,181,180	12,287,479	16,468,659
Other liabilities	7,816,977	-	7,816,977
Contract liabilities	3,253,946	1,155,718	4,409,664
Provisions	1,643,607	-	1,643,607
Deferred tax liability	-	1,149,891	1,149,891
	321,007,977	**52,363,189**	**373,371,166**

38 EVENTS AFTER THE REPORTING PERIOD

CHANGES IN SHAREHOLDING STRUCTURE

On 17 January 2024, a share purchase agreement was signed between Access bank PLC and 4 institutional shareholders i.e Oikocredit Ecumenical Development Cooperative Society, U.A RIF North 1,Progression East African Microfinance Equity Fund and I&P Afrique Entrepreneurs. The agreement was in relation to sale of the 69.67% existing shareholding held by the 4 institutional shareholders as disclosed in note 28 to Access Bank PLC.

A share subscription agreement was also signed on 17 January 2024, between Access Bank PLC and Finance Trust Bank.

Finance Trust Bank and Access Bank PLC subsequently made public announcements for the signing of agreements for Access Bank's equity investment into Finance Trust Bank. The transaction will see Access Bank PLC become the majority shareholder of Finance Trust Bank.

On conclusion of the transaction the shareholding structure is expected to be as indicated below;

S/No	Shareholder	Ordinary shares	Shareholding percentage
1	Access Bank PLC	76,562,064	80.89%
2	Uganda Women's Trust Limited	12,202,778	12.89%
3	Founder Members	4,705,826	4.97%
4	Other shareholders	1,187,316	1.25%
	Total	**94,657,984**	**100%**

The directors have assessed the impact of the above matter and concluded that it would be a non-adjusting event.

There are no other events after the reporting date that require disclosure or adjustments to the financial statements as at the date of this report.

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