Stanbic Uganda Holdings Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

Stanbic Uganda IT CAN BE™

A member of Standard Bank Group

Contents

This section provides information on our shareholding structure and shareholder relevant documents such as the AGM Notice, the Proxy Form and the company contact information.

List of acronyms

ABC	Agent Banking Corporation
ACCA	Association of Chartered Certified Accountants
AGM	Annual General Meeting
ADF	Africa Development Fund
AFS	Annual Financial Statements
ALCO	Asset and Liability Committee
AML/CFT	Anti Money Laundering /Combatting the Financing of Terrorism
ATM	Automated Teller Machines
BCP	Business Continuity Plan
BAC	Board Audit Committee
BALCO	Board Asset and Liability Committee
BCC	Board Credit Committee
BCM	Business Continuity Management
BN	billion
BNA	Bulk Note Acceptor
BOD	Board of Directors
BOU	Bank of Uganda
BRMC	Board Risk Management Committee
BUBU	Buy Uganda Build Uganda
CAR	Capital Adequacy Ratio
CBR	Central Bank Rate
CCAEA	Climate Change Climate East Africa
CBS	Core Banking System
CCC	Customer Care Centre
CDE	Customer Decisioning Engine
CDM	Cash Deposit Machine
CIB	Corporate and Investment Banking
CLR	Credit Loss Ratio
CMA	Capital Markets Authority
CRMC	Credit Risk Management Committee
CSP	Customer Service Point
CSI	Corporate Social Investment
CTI	Cost to Income Ratio
CSR	Corporate Social Responsibility
C&R	Custody and Registry
DBS	Deferred Bonus Scheme
EAD	Exposure at Default
EACOP	East Africa Crude Oil Pipeline
EAR	Earnings at Risk
ECI	Employee Community Involvement
ECL	Expected Credit Loss
EERF	Economic Enterprise Restart Fund
EIR	Effective Interest Rate
ESG	Environment Social and Governance
EPS	Earnings per Share
ETR	Employee Turnover Rate
ERM	Enterprise Risk Management
FDI	Foreign Direct Investments
FIA	Financial Institutions Act
FID	Final Investment Decision
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
GRI	Global Reporting Initiatives
GDP	Gross Domestic Product
GSIS	Group Share Incentive Scheme
GoU	Government of Uganda
GRS	Global Remuneration Services
HC	Human Capital
AS	International Accounting Standards
IA	Internal Audit
IASB	International Accounting Standards Board
IC	Intellectual Capital
ICAAP	Internal Capital Adequacy Assessment Process
ICPAU	Institute of Certified Public Accountants of Uganda
ICT	Information and Communication Technology
IDG	International Development Groups
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
IIS	Interest in Suspense
IMF	International Monetary Fund
IRB	Internal Ratings-Based approach
ISAs	International Standards on Auditing
JSE	Johannesburg Stock Exchange
KPMG	Klynveld Peat Marwick Goerdeler
KYC	Know Your Customer
L&D	Learning and Development
LGD	Loss Given Default
LPO	Local Purchase Order
MFC	Manufactured Capital
MDI	Microfinance Deposit Accepting Institution
MFID	Markets in Financial Instruments Directive
MPC	Monitory Policy Committee
MSME	Micro, Small and Medium Enterprises
NBI	National Bank of India
NC	Natural Capital
NED	Non-Executive Director
NIM	Net Interest Margin
NIRA	National Identification and Registration Authority
NPS	Net Promoter Score
OCI	Other Comprehensive Income
OHS	Occupational Health and Safety
PAT	Profit After Tax
PAYE	Pay as You Earn
PBB	Personal and Business Banking
PBT	Profit Before Income Tax
PD	Probability of Default
PFIs	Participating Financial Institutions
PSC	Private Sector Credit
PMI	Purchase Manager's Index
PPE	Personal Protective Equipment
PWC	PricewaterhouseCoopers
RAS	Risk Appetite Statement
REPO	Repurchase Loan Agreement
RET	Regrettable Employee Turnover rate
ROA	Return on Assets
ROE	Return on Equity
RSL	Interest Rate Sensitive Liabilities
SACCOs	Savings and Credit Cooperatives
SAHL	Stanbic Africa Holdings Limited
SBUL	Stanbic Bank Uganda Limited
SEE	Social Economic and Environment
SFIs	Supervised Financial Institutions
SME	Small and Medium Enterprises
SOFP	Statement of Financial Position
SBGS	Standard Bank Group Securities
SPL	Stanbic Properties Limited
SBIL	Stanbic Business Incubator Limited
SUHL	Stanbic Uganda Holdings Limited
SRC	Social and Relational Capital
SEE	Social Economic Environmental
TED	Technology Entertainment and Design
UCBL	Uganda Commercial Bank Limited
URA	Uganda Revenue Authority
USE	Uganda Securities Exchange
UNBS	Uganda National Bureau of Standards
UNDP	United Nations Development Programme
VAF	Vehicle and Asset Finance
VSLA	Village Savings and Credit Associations
WEF	With Effect From
WFH	Working from Home
WFO	Work from Office
YELP	Young and Emerging Leaders Project

Financial definitions

COMPOUND ANNUAL GROWTH RATE - CAGR	The average year-on-year growth rate of an investment over several years.
PROFIT FOR THE YEAR (UShs)	Annual Income statement profit attributable to ordinary shareholders stated in Uganda Shillings.
EARNINGS PER SHARE (UShs) - EPS	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue stated in Uganda Shillings..
RETURN ON AVERAGE EQUITY (%) - ROE	Earnings as a percentage of average ordinary shareholders' funds.
RETURN ON AVERAGE ASSETS (%) - ROA	Earnings as a percentage of average total assets.
NET INTEREST MARGIN (%) - NIM	Net interest income as a percentage of average total assets.
CREDIT LOSS RATIO (%)	Provision for credit losses per the Statement of Comprehensive Income as a percentage of gross loans and advances.
COST-TO-INCOME RATIO (%)	Total operating expenses as a percentage of total income before deducting the provision for credit losses.
EFFECTIVE TAX RATE (%)	The income tax charge as a percentage of income before tax, excluding income from associates.
DIVIDEND PER SHARE (UShs)	Total ordinary dividends declared per share with respect to the year.
DIVIDEND COVER (TIMES)	Earnings per share divided by total dividends per share.
PRICE EARNINGS RATIO (%)	Closing share price divided by earnings per share.
DIVIDENDS YIELD (%)	Dividends per share as a percentage of the closing share price.
CORE CAPITAL	Permanent shareholder's equity in the form of issued and fully paid-up shares plus all disclosed reserves, less goodwill or any intangible assets.
SUPPLEMENTARY CAPITAL	General provisions which are held against future and current unidentified losses that are freely available to meet losses which subsequently materialize, and revaluation reserves on banking premises, and any other form of capital as may be determined from time to time, by the Central Bank.
TOTAL CAPITAL	The sum of core capital and supplementary capital.
TOTAL CAPITAL ADEQUACY	Total capital divided by the sum of total risk weighted assets and total risk weighted contingent claims.
CREDIT IMPAIRMENT CHARGE (SHS)	The amount by which the period profits are reduced to cater for the effect of credit impairment.
LENDING RATIO	Net loans and advances divided by total deposits.
PERCENTAGE CHANGE IN CREDIT LOSS RATIO (%)	Ratio of change in the rate of credit loss impairment between time periods.
PERCENTAGE CHANGE IN THE IMPAIRMENT CHARGE (%)	Ratio of change in the rate of impairment charge between time periods.
SOFP CREDIT IMPAIRMENT AS A % OF GROSS LOANS AND ADVANCES (%)	Ratio of the Statement of Financial Position credit impairment to gross loans and advances.


Bank
At Stanbic

ABOUT STANBIC UGANDA HOLDINGS LIMITED

About this report

This is the Stanbic Uganda Holdings Limited (SUHL) Annual Report that covers the period 1 January to 31 December 2021. It includes both financial and non-financial information pertaining to all entities over which we have control or significant influence over. The largest proportion of the information relates to Stanbic Bank Uganda limited (SBUL) which is still the largest and main operating entity throughout the period under review.

This report also includes additional information up to the date of Board of Directors approval on 28 March 2022. The scope of the information presented is largely medium term and assesses the opportunities, risks and impacts influencing our ability to create sustainable shared value as we begin to realise our midterm vision, while delivering on our purpose. This report is prepared for SUHL's different stakeholders with detailed information about who we are, our strategy, our performance, governance and expectations for the future in context of the environment we operate in.

Stanbic Uganda Holdings Limited is part of the Standard Bank Group, Africa's largest Bank measured by footprint and assets. Standard Bank Group has on-the-ground representation in 20 African countries. In Uganda SBUL has a wide network of branches that have been and continue offering a wide spectrum of financial services and products to the retail and corporate segments for the past 30 years.

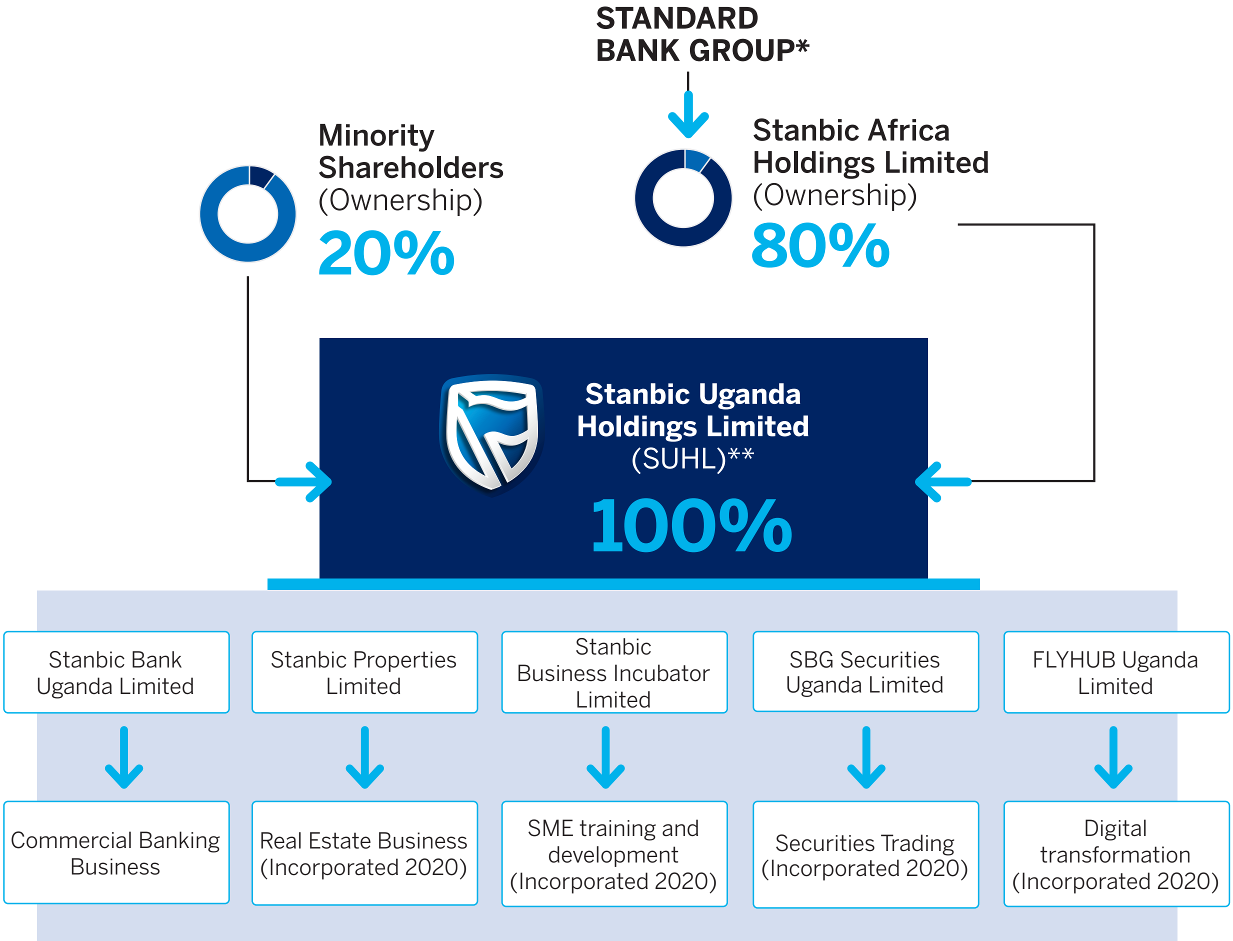
Our Purpose

Uganda is our home and we drive her growth

Our Vision

To be the leading financial services organization in for and and across Uganda, delivering exceptional client experiences and superior value.

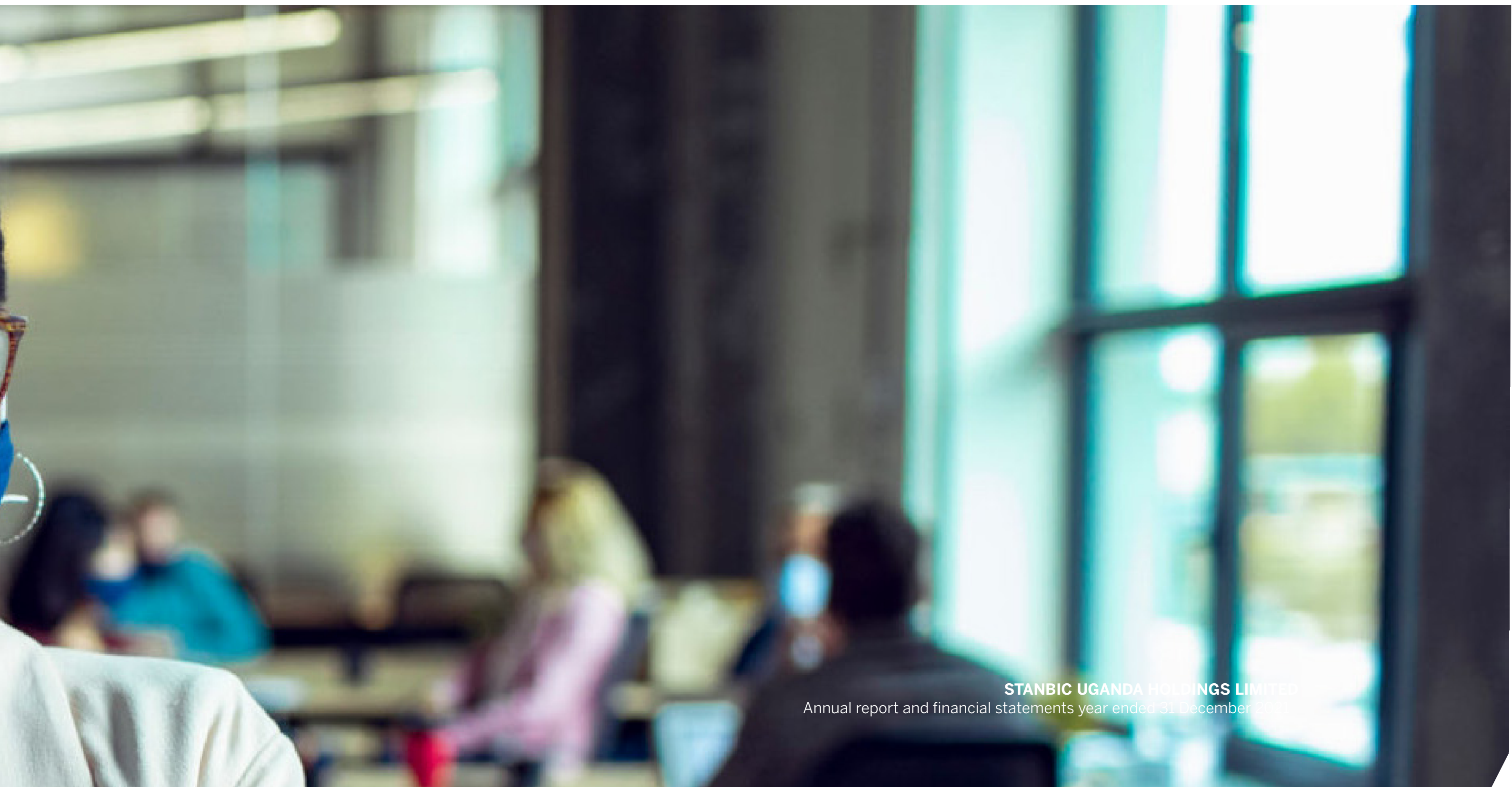
Our Organisation structure



Our listings and shareholders

* Listed on the Johannesburg Stock Exchange

** Listed on the Uganda Securities Exchange



Uganda is our home, we drive her growth

Who We Are

A brief history of Stanbic Uganda Holdings Limited (SUHL)

Stanbic Uganda Holdings Limited traces it's history in Uganda as a commercial bank called the National Bank of India (NBI) in 1906. After several name changes, NBI rebranded to Grindlays Bank. In 1991, Standard Bank Group (SBG) acquired Grindlays Bank. The new owners renamed the Ugandan subsidiary, Stanbic Bank Uganda Limited (SBUL).

In February 2002, SBG acquired 90% of the shareholding in Uganda Commercial Bank Limited, a Government-owned bank with sixty-five branches. SBG merged their new acquisition with the existing SBUL, to form Uganda's largest commercial bank by assets and branch network.

In November 2007, the Government of Uganda divested its ownership in Stanbic Bank Uganda Limited by listing its shares on the Uganda Securities Exchange. Standard Bank Group also floated 10% of its shareholding at the same time, retaining an ownership stake of 80%.

In 2018, SBUL started the process of reorganising its corporate structure to include a holding company. The rationale for the reorganisation was to enable the entity to undertake other non-banking financial and non-financial services that would be established through the holding company. The reorganisation was to be effected through the transformation of the bank into a holding company followed by a hive down of the banking business from the bank (at the time) to a newly incorporated banking subsidiary.

The reorganisation process was finally completed when the transfer of the banking business was effected on 1 April 2019 with a holding company, Stanbic Uganda Holdings Limited (SUHL or the Company) and one wholly owned subsidiary Stanbic Bank Uganda Limited (SBUL or "the Bank"). As of 31st December 2021 , SUHL had four additional subsidiaries i.e Stanbic Properties Limited, Stanbic Business Incubator Limited, FLYHUB Uganda Limited and SBG Securities Uganda Limited.

Facts about Stanbic Uganda Holding Limited as at 31 December 2021

Balance Sheet
UShs 8.7 trillion

Total number of Employees
1,756

Market Capitalisation
UShs 1.33 trillion

Shareholders
22,470

Headquarters
Crested Towers, Plot 17 Hannington Road, Kampala

Point of Sale machines
989

Number of Branches
69

Number of CSPs
11

Bank Agents
4,683

Number of Customers
572,168

ATMs
175

Cash dispensers
122

Intelligent ATMs
32

Cash Deposit Machines
21

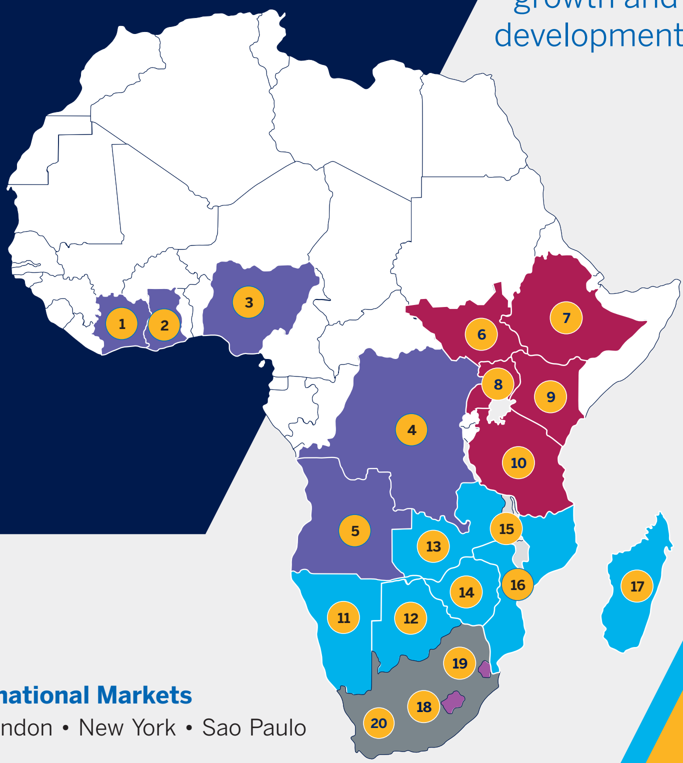
Standard Bank Group Footprint

West Africa
1. Côte d'Ivoire
2. Ghana
3. Nigeria
4. Democratic Republic of Congo (DRC)
5. Angola

East Africa
6. South Sudan
7. Ethiopia (representative office)
8. Uganda
9. Kenya
10. Tanzania

South & Central Africa
11. Namibia
12. Botswana
13. Zambia
14. Zimbabwe
15. Malawi
16. Mozambique
17. Mauritius
18. Lesotho
19. eSwatini
20. South Africa

We are Africa focused, client led and digitally enabled. We provide comprehensive and integrated financial and related solutions to our clients. We drive inclusive growth and sustainable development.



159 **years**
of serving our clients in Africa

Market Capitalisation
USD 14 **Billion**

On the ground presence in
20 **countries**
in sub-saharan Africa with modernised banking platforms supported by a footprint of **1,143 branches** and **6,600 ATMs**

Strategic partnership
with the largest bank in the world

ICBC

Presence in International Markets
Beijing • Dubai • London • New York • Sao Paulo

International Financial Services
Isle of man • Jersey •Mauritius

Standard Bank Group on-the-ground presence in 20 countries in sub-Saharan Africa

Murchision Falls National Park, Northern Uganda

Stanbic Bank presence in Uganda

East
Busia Branch
Iganga Branch
Jinja Branch
Kamuli Branch
Kapchorwa Branch
Kotido Branch
Lugazi Branch
Mbale Branch
Moroto Branch
Soroti Branch
Tororo Branch

Greater Kampala
Aponye Mall
Kawempe Branch
Kiboga Branch
Kireka Branch
Kyambogo Branch
Luwero Branch
Mityana Branch
Mpigi Branch
Mukono Branch
Mulago Branch
Nakivubo Branch
Nateete Branch
Wandegeya Branch
William Street Branch

Metro
Acacia Mall Branch
Bugolobi Branch
Entebbe Main Branch
Freedom City Branch
Forest Mall Branch
Garden City Branch
Kabalagala Branch
Kampala Branch(Corporate)
Lugogo Branch
Makerere Branch
Metro Branch
Nakasero Branch
Nakawa Branch
Ntinda Branch

North
Adjumani Branch
Apac Branch
Arua Branch
Gulu Branch
Kigumba Branch
Kitgum Branch
Lira Branch
Moyo Branch
Nebbi Branch

West
Buliisa Branch
Bundibugyo Branch
Bwamiramira Branch
Hoima Branch
Ishaka Branch
Kabwohe Branch
Kasese Branch
Kihihi Branch
Ntungamo Branch
FortPortal Branch
Ibanda Branch
Kabale Branch
Kalangala Branch
Kisoro Branch
Kyotera Branch
Lyantonde Branch
Masaka Branch
Masindi Branch
Mbarara Branch
Mubende Branch
Rukungiri Branch

Customer Service Points
Bwera
Jinja town CSP
Kaabong
Kayunga
Kagadi
Kumi
Pakwach
Kakira
Kinyara
Mayuge
Wobulenzi

LEADERSHIP INSIGHTS

Chairman's Statement

Japheth Katto
Board Chairman

Overview

Stanbic Uganda continued to grow in 2021, posting commendable results and demonstrating market leadership in the financial services sector, and in the non-financial services beyond banking. Stanbic Uganda now boasts of a footprint across several key industries in the economy, including real estate, brokerage, technology, financial services and the not-for-profit sector. This has been achieved notwithstanding the challenges of the second wave of the Coronavirus pandemic (COVID-19).

Performance

I am pleased to report that Stanbic Uganda delivered a solid financial performance driven by a strong focus on our strategic value drivers. Profit after Tax stood at UGX 269 billion, up 11% in comparison to 2020, while Return on Equity closed at 19.4%. We are optimistic that all the businesses, including the beyond-bank subsidiaries, will continue to grow and leverage emerging opportunities in their respective sectors. The Chief Executive's Statement highlights further details on our performance metrics.

Strategy and Risk

We continue to implement our diversification strategy, which we embarked on in 2018. The strategy has started yielding great results and will create more value for our shareholders. Notably, our Brokerage and Banking subsidiaries supported the MTN Initial Public Offering (IPO), the largest IPO in Uganda's financial markets, as Lead Sponsoring broker, Lead Retail broker, Transaction Advisor and Lead Receiving Bank.

I commend the Management and all the key parties for their contributions in ensuring this landmark transaction was completed.

Following the full operationalisation of the subsidiaries, the focus shifted to the journey of transitioning to a platform services organisation in line with our Future Ready Transformation strategy. This will ensure that we can serve our clients in an integrated, innovative and comprehensive way by unlocking more value from the Stanbic Uganda eco-system.

The Board is confident of the competitive advantage this transition will offer Stanbic Uganda. It will propel us to achieve the reality of change to a one-stop financial services business. We will continue to support Management on this transformation and innovation journey as we continue to drive Uganda's growth.

During the year, the Board continued to focus on practical, proactive management of risk and providing sufficient oversight to ensure risk and return were well aligned to strategy. The details of risk management are contained in the Risk statement on Page 46.

Regulatory Landscape

I am pleased to report that all our subsidiaries received the necessary regulatory approvals and licenses required to conduct their businesses. Stanbic Uganda remained compliant with all the different regulatory requirements.

The Central Bank issued Guidelines on the Basel II and Libor transition and the Framework for Identification, Regulation and Supervision of Domestic Systemically Important Banks (D-SIBS). Our Bank subsidiary completed the Basel II and Libor transition and was designated as Domestic Systemically Important Bank (DSIB) through the year 2022. The Central Bank also issued draft Corporate Governance guidelines, and the process of reviewing the guidelines is ongoing. The National Payment Systems Regulations of 2021, central to our Bank subsidiary's work, were also enacted.

The Uganda Securities Exchange (USE) Listing Rules of 2021, applicable to Stanbic Uganda Holdings, our listed entity, were amended. The legal and regulatory framework for Collective Investments Schemes and the Securities Central Depositories Rules and Procedures applicable to our Brokerage subsidiary business are under review by the Capital Markets Authority and the USE.

On a sad note, during the year, we lost the Governor of the Central Bank, Professor Emmanuel Tumusiime - Mutebile, one of the architects of Uganda's post-independence economy. Throughout his service in various roles, he was committed to developing and maintaining a deep, well-regulated and robust banking and financial services sector, a goal he achieved amidst multiple challenges. Notably, we shall remember him for his immense role in establishing the Capital Markets Authority of Uganda and the Uganda Securities Exchange. We shall forever treasure his contribution to the financial services sectors and economies of Uganda and other countries in the region. In honour of his legacy, Stanbic Uganda undertook a tree-planting exercise across its branches, planting 72

Stanbic Uganda Holdings continued to grow in 2021, posting commendable results and demonstrating market leadership in the financial services sector. Stanbic Uganda now boasts of a footprint across several key industries in the economy, including real estate, brokerage, technology, financial services and the not-for-profit sector.

We remain mindful of our duty to achieve a net positive Social, Economic and Environmental (SEE) impact for all the activities conducted for present and future generations. To support this, the Board has put in place a robust Environmental, Social and Governance (ESG) framework and structures

fruit trees to symbolise his 72 years of worthwhile contribution. May his soul rest in peace.

Corporate Governance

We remain committed to upholding the highest standards of corporate governance to drive business across Stanbic Uganda. In addition to fulfilling its mandate, the Board focused on sustainability, risk and conduct, board succession planning and director development to ensure fitness for leadership and effectiveness in the rapidly changing business environment. The Board undertook its annual assessment and maintained an excellent score for its effectiveness. For details, please refer to the corporate governance section of this report.

During the year, there were key leadership changes across Stanbic Uganda. Ms. Sola David-Borha was appointed as a director of the Bank subsidiary in January 2021, and Prof. Patrick Mangheni was appointed as the Board Chairman of the Bank subsidiary in March 2021. Prof. Mangheni's appointment followed my resignation from the Board of the Bank subsidiary as part of the process of separating the Stanbic Uganda Holdings and Bank subsidiary Boards, to enhance the independence and objectivity between the two boards while conducting their responsibilities. Chief Executives, who also serve as Executive Directors for their entities, were appointed for the Brokerage and Fintech subsidiaries.

I am pleased to report that Stanbic Uganda continued to be recognised for its excellent performance and market leadership. We received several Financial Reporting Awards for outstanding achievement in Sustainability Reporting, Listed Entity Reporting, Integrated Reporting and Corporate Governance Reporting. The Banking subsidiary received several awards for its excellent performance, notably, the Digital Impact Awards Africa, including the Digital Brand of the Year (Gold), Digital Banking Excellence (Silver), the Financial Services Digital Excellence (Gold) and Best Digital Campaign Excellence (Gold) for the year 2021. Our Directors, Josepha T. Ndamira and I, also received the Non-Executive Director Awards from the League of East African Directors for exceptional performance. It also gives me pleasure to report that the Standard Bank Group, which we are a member of, was ranked as the most valuable banking brand in Africa.

Sustainability

The Board prioritized sustainability with relentless focus, in the execution of its mandate. This focus is premised on our shared value of doing business the right way. To that end, we closely collaborated with our regulators, the Government of Uganda, and our partners to support our customers and communities during the challenging period that we were faced with, and to contribute to the efforts aimed at rebuilding the economy.

We remain mindful of our duty to achieve a net positive Social, Economic and Environmental (SEE) impact for all the activities conducted for present and future generations. To support this, the Board has put in place a robust Environmental, Social and Governance (ESG) framework and structures, including the appointment of a Head of Sustainability, to ensure appropriate oversight and management of ESG risks and opportunities. This framework will facilitate monitoring and tracking of both progress and impact.

Our flagship sustainability programs that include the National Schools Championship (NSC) and the Stanbic

Business Incubator program continued to be implemented. The NSC focuses on skilling students on entrepreneurship, and it has now impacted over 100 schools and 150,000 students. The Stanbic Business Incubator program was set up to provide business development support to local small and medium enterprises, was expanded across various regions in the country to support local small and medium enterprises.

Other equally impactful programs included raising support and awareness for maternal health, providing hospital equipment to select health facilities, donating mama kits for the welfare of mothers in underserved hospitals and environmental conservation programs that include tree planting initiatives and a plastic recycling awareness campaign.

In light of the second wave of COVID-19, we also continued to support our staff and customers, especially small businesses, to build back better from the effects of the pandemic. Some of these initiatives included credit relief programs for our customers and vaccination drives for our staff.

Further details on our sustainability initiatives are contained in the Sustainability Report.

Shareholder and Stakeholder Engagement

Our focus on shareholder engagement, to provide opportunities for shareholder participation and learning continued during the year. Despite the restrictions imposed on physical gathering because of COVID-19, we took steps to provide the platform and opportunity for more shareholders to engage with the Board through a virtual Annual General Meeting (AGM). The trend for increased participation with extended time for questions and answers before and at the AGM was provided. Over 2,000 shareholders participated in the virtual AGM, triple the participation from physical meetings.

Shareholders also had the opportunity to participate in the World Investor Week in October 2021, organised in conjunction with our regulator, USE, and other sector stakeholders under the theme 'Leveraging Technology to Promote Financial Awareness and Literacy in Uganda'. We continue to explore opportunities for continued engagement with our shareholders and encourage you to participate when called upon.

2020 and 2021 Dividend

In April 2020, Bank of Uganda (BOU) announced enhanced guidelines for Supervised Financial Institutions (SFIs), including our Bank subsidiary. These guidelines required SFIs to defer discretionary payments, which include dividends, for purposes of capital preservation. As such, the Bank's proposed dividends for 2020, which form the pool of dividends for payment to the Stanbic Uganda Holdings' shareholders, remain under review by BOU, the results of which will inform the 2021 dividend recommendation of the directors to the Stanbic Uganda Holdings' shareholders.

Appreciation and Looking Forward

The journey towards full recovery from the pandemic is on course, with the economy now fully re-opened. I am optimistic that in 2022, we shall register even more growth and achieve the goals we have set for ourselves.

In that vein, I would like to thank my fellow directors with whom we have worked to steer Stanbic Uganda in the right direction. I would also like to thank the Chief Executives and Management for their hard work and dedication. I commend Management for proactively promoting the welfare and wellness of our staff through programs such as vaccination drives, which were aimed at protecting the health and lives of our staff during the pandemic.

In a unique way, I would like to recognize our staff for their unwavering resilience in the midst of continued disruption. They demonstranted commitment in such a volatile, uncertain, complex and ambiguous period. Sadly, we lost one such committed senior member of staff, Mr. Henry Rucwere Kamuntu, who was the Sector Head Oil & Gas for our Bank subsidiary at the time of his passing. He left behind a great legacy and we honour his life and the lives of all other Ugandans that lost their lives during the pandemic.

I must also thank our shareholders, regulators, customers, partners, and other stakeholders for their unwavering support, which has been invaluable in enabling us to realise our objectives and to deliver on our promises.

The lessons learned in 2021 will be important in harnessing the emerging opportunities as we strive to achieve our purpose. Despite the challenging geopolitical and geo-economic environment impacting the globe, we remain confident in our prospects and are committed to attaining our strategic goals for the prosperity of our stakeholders and our country. Uganda is our home; we drive her growth. IT CAN BE.


Even the biggest dreams started small.
I want to be a Pilot
With us you're one step closer
Stanbic Bank IT CAN BE™
Stanbic Bank Uganda Limited. A Financial Institution regulated by the Bank of Uganda and Customer Deposits are protected by the Deposit Protection Fund of Uganda. License Number A1. 030
@stanbicug

SUHL Chief Executive's Statement

Andrew Mashanda

The year 2021 presented us with an unusual and unprecedented set of permutations in our operating environment, especially with the emergence of new variants of Covid-19 and the attendant need to take appropriate steps to prevent the spread of the virus. We remain mindful and stand with the families that have lost loved ones and livelihoods. It is our hope that as the economy continues to reopen and recover from the pandemic that new opportunities will emerge for the country.

In spite of the attendant challenges, we have remained resilient, our staff have demonstrated their mettle during this period and the results forStanbic Uganda Holdings Limited bear testimony to this. In our 2021 performance we generated revenues of UShs 903 billion, a 13% increase from UShs 831 billion in 2020, and Return on Equity of 19.4%, a slight decline from 20.5% in 2020. This decline was largely on the account of increased equity base, as we continued to wait regulatory approval for the anchor subsidiary to pay dividends for 2020. Our capital base remained strong at 21.9% from 18% in 2020, sufficient to cover our growth aspirations and any shocks in the foreseeable future. Over 95% of this performance is driven by Stanbic Bank which continues to maintain its number one position in most of the key metrics of the balance sheet and income statement. A deep dive into this performance and the drivers is shared by Anne Juuko Chief Executive of Stanbic Bank Uganda Limited on page 20 and in the financial and operational review on page 34.

Progress on the beyond bank subsidiaries

As mentioned in previous reports, we have expanded our business and ventured into sectors beyond financial services. We have started to witness green shoots of hope from the new subsidiaries. Stanbic Uganda, in a strategic initiative to diversify our business and create new pools of revenue beyond banking, we took the decision to create a corporate structure with a holding company and four additional businesses. Core to this transformational journey is development and strengthening of our digital capabilities which resulted in the creation of Flyhub Uganda Limited, a digital finance technology transformation business.

We are delighted to report that two of the four new businesses are already profitable in their second year of existence. Stanbic Properties Limited which is our real estate business initially started off with facilities management, we have added valuation, advisory and project management services in our efforts to transform into a platform business. Notably they released the first baseline report on the state of real estate business in the capital city Kampala. We believe this is a fundamental step in the formalisation of the real estate sector in Uganda.

SBG Securities is a stock brokerage business that only obtained its brokerag license in April of 2021 but was able to win a mandate to be the transaction advisor and lead retail broker for the largest IPO in Uganda and Africa for 2021. SBG Securities also obtained a collective investment scheme licence which will diversify and transform our wealth management offerings to our different stakeholders.

As Stanbic we believe that for us to grow, the communities around us should grow alongside us. This is enshrined in our purpose statement, Uganda is our home, we drive her growth. Stanbic Business Incubator Limited (SBIL) is our transformation entity responsible for enhancing sustainability of small and medium enterprises (SMEs) through training them. Notably SBIL has five regional training centres across this nation. SBIL has become a strategic partner to different players in the different key sectors of this nation that drive GDP growth like agriculture, oil and gas, manufacturing etc. In 2021 it started reviewing its strategy to ensure there is progressive

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As Stanbic, we believe that for us to grow, the communities around us should grow alongside us. This is enshrined in our purpose statement, Uganda is our home, we drive her growth.

learning and development of the SMEs. Implementation of this strategy will start in 2022. More details about the transformational work being done by the SBIL are found on pages 77 to 79 of the sustainability report.

Looking ahead

2022 presents us with fresh winds of opportunity, through the economy having fully opened here at home and across the globe, and the resultant increase in aggregate demand. GDP is projected to grow at 5.5% by 2023 from a projected 3.5% in 2022. The positive developments in the oil and gas sector with final investment decision (FID) signed have increased confidence in the prospects for the economy. As a franchise, we are well positioned for the future and the strategic drivers are as follows:

1. Improving our Client Experience:

Clients remain the centre of everything we do because they are the reason we exist. Our intention is to consistently provide excellent client experiences through an expanded range of innovative solutions which will help us grow and scale. Additionally, we will build strategic partnerships with experts, who will help us achieve this goal.

Our staff remain central to the strengthening of this pillar therefore, we will continue to invest and adequately equip them to deliver.

2. Executing With Excellence

It is very important that we do business the right way to maintain credibility with all our stakeholders. Continuously improving the way we operate through the use of technology and data analytics will help us become more effective and efficient. This plus enhancing our Risk Management and control structures across the entire organisation will see us achieve this goal.

3. Driving Sustainable Growth and Value

It is our duty to do business responsibly in the communities that we live in to ensure that we drive Uganda's growth sustainably. We do this through our Social Economic and Environment framework with specific details in the sustainability report on page 60.

Highlights of the 2021 performance on these three priority areas can be found pages 28-29 (our strategic outcomes) of this Annual report.

We express our sincere gratitude to all our stakeholders for your belief in us and continue to partner with us on the journey to achieving our vision of making progress real. Uganda is our home and we drive her growth.

SBUL Chief Executive's Statement

Anne Juuko

The Pandemic tested our resilience—we survived and thrived.

2021 provided us with an opportunity to demonstrate our commitment to our Purpose — "Uganda is our home, and we drive her growth". The juxtaposition of the impact of the pandemic on the economy, and the need for a catalyst for recovery, presented us with the impetus to progress our socio-economic value preposition. I am pleased to report that our efforts to be responsive and relevant to the communities in which we operate have yielded tangible results and delivered value for our shareholders.

"Every crisis has both its dangers and its opportunities. Each can spell either salvation or doom." - a quote from Martin Luther King Jr. The impact of the pandemic was broad and substantive, reshaping how we work, educate, access services, and manage healthcare systems. These momentous shifts necessitated a reorientation of our strategic direction, with a pivot to enhancing our digital channels, using our deep client insights to understand evolving needs, and leveraging wide geographical footprint. This pivot enabled us to develop and deliver bespoke and curated solutions, in a form that is appropriate for the operational environment and relevant to our clients.

One such solution is our SACCO Capacity Building Programme, which is designed to afford unbanked and underbanked Ugandan's access to low-cost financing. Our client insights affirm the notion that Ugandans have a cultural inclination to save, invest and lend within the communities that they operate, implying the trajectory for growth in SACCOs is very positive. We currently bank over 3700 SACCOs, representing approximately 2.9 million members. We have availed these SACCO's a multitude of value additive services which include financial/ Governance capacity building, access to digital solutions, and affordable/ low-cost financing that is priced significantly below market interest rates (as low as 10% p.a.).

We are cognizant of the structural barriers to deepening financial inclusion in Uganda and accordingly, we elected to develop a convenient, comprehensive, and affordable state of the art digital banking solution — FlexiPay is a digital wallet that enables Ugandans to send money, pay bills and manage accounts conveniently transparently, and at the lowest cost in the market. This reaffirms our commitment to delivering relevant and curated solutions for all Ugandans.

The pandemic has highlighted the value of health workers and our dependency on their critical life-saving skills and capabilities. We thought it appropriate to give back to these critical members of our community by developing a bespoke solution to address their unique needs, which includes access to affordable health insurance and subsidized credit facilities. This offering was developed in partnership with the Government of Uganda and anchored by the Ministry of Health.

The education sector experienced the most acute impact of the pandemic in 2021, with schools remaining closed for an inordinate amount of time. Consequently, a substantive number of schools have faced challenges in sustaining their credit facilities with banks and sourcing financing to prepare for the back-to-school transition. Hence, we deemed it appropriate to support the FlexiPay education sector by actively leading a symposium that solicited support to facilitate the re-opening of schools and waiving all interest on loans accumulated in 2021.

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It is important to note that our ability to timeously pivot in 2021 was facilitated by a material internal reorganization, that was designed to put clients at the center of what we do. The reorganization involved the establishment of three distinct but integrated business segments; Corporate and Investment Banking (CIB), Business and Commercial Clients (BCC) and Consumer, High Net Worth and Wealth Clients (CNHW). This segmentation has already facilitated the delivery of fit for purposes, client-oriented solutions in 2021.

The various initiatives and solutions highlighted above resulted in the deepening of our relevance to our clients, and delivery of value to our shareholders, with record Profit after Tax of UShs 275 billion, representing a 13% growth year-on-year. Essentially, the decision to pivot and reorient our strategic focus has allowed us convert the crisis into an opportunity.

Looking ahead

Excellent service, efficient solutions, and relevance in the communities we serve will continue to be provide the pillars on which we develop and execute our strategy. Customer, centricity will continue to inform our organizational structure, product development and investments.

We intend to lead and shape the digital transition of the traditional banking sector in Uganda, with a key focus on simplification, iterative innovation and strategic partnerships. Our digital journey is anchored in developing artificial intelligence and machine learning capabilities. This process has commenced, with substantive progress made in enhancing our technology platform and setting the foundation for our future readiness.

The new digital and dynamic path we have embarked on may introduce new and unprecedented technology risks. Consequently, as we innovate, we are committed to simultaneously enhance our monitoring and controls capability. This will provide a strong foundation for sustainable innovation.

Finally, considering the socioeconomic, environmental and climate realities in Uganda, we are committed to delivering our business mandate in the most sustainable manner. Accordingly, we have rolled out our new Sustainability Programme that that consists of Six Pillars; Education and Youth empowerment, Health, Job creation, Enterprise growth, Financial Inclusion, and Protection of Natural Resources and Environmental Awareness. This program provides a comprehensive basis on which to deliver on our brand promise IT CAN BE, as a responsible Corporate Citizen.

HOW WE CREATE VALUE

How We Create Value

Our clients are at the centre of everything we do. This is the central organising principle in the work we are doing to build a digital bank, redesign our operating models, and to develop our people and change our culture – which together will create long-term sustainable competitive advantage.

OUR CLIENTS

Strategy

Our strategy is focused on creating sustainable growth and value for all our stakeholders.

More details in the Strategy Report on pages 26 to 29

Business units and corporate functions

Our business units and corporate functions have aligned their operating strategies to our strategy, to ensure effective and coordinated execution within and across our operations for the benefit of our clients.

More details in the Business Unit Report on pages 40 to 43

Operating context

Our strategy represents an effective approach to the structural shifts in our industry. Global megatrends such as the technological revolution, increasing stakeholder pressure, and socioeconomic and environmental challenges are imposing the need for wide-reaching transformation in the way we do business.

As the Covid-19 pandemic and its social effects ease, key trends provide the opportunity for growth and development in Uganda that justify the optimism of our strategy.

More details in the Operating and Financial Review on pages 34 to 37

Risk appetite

Our strategy is achieved within the parameters of our risk appetite, which implies conscious risk taking. We regularly align our risk appetite to changes in our operating context, and are instilling a risk-aware culture throughout the organisation as well as continually enhancing our risk management capabilities.

More details in the Risk Magement Report on pages 56 to 57

GOVERNANCE APPROACH TO VALUE CREATION OVER TIME

Our governance approach promotes strategic decision-making that combines long-term and shorter-term outcomes, to reconcile the interests of Stanbic Uganda and society in our pursuit of sustainable value.

Performance linked to value creation

We are embedding a high-performance culture and creating an environment in which our people are empowered and motivated to deliver exceptional client experiences, and are rewarded for their contribution towards realising our purpose and vision.

Remuneration that drives value over time

Our reward philosophy is being evolved to reflect our strategy. We combine reward elements that link directly to strategic and financial performance criteria and thresholds.

RESPONDING TO OUR STAKEHOLDERS

Our stakeholders are the providers of the capital we need to create value. Stakeholder inclusivity and responsiveness enable us to secure and maintain these inputs, and to identify opportunities and challenges. Details of how we respond to our stakeholders has been included in the Sustainability Report on pages 60 to 105.

CREATING VALUE FOR STANBIC UGANDA

Our strategic value drivers align our allocation of resources to our strategy. We have identified five key value drivers, shown below, and continue to work on selecting the appropriate metrics for each, which support more effective resource allocation and appropriate trade-off decisions.

- Client focus.
- Employee engagement.
- Risk and conduct.
- Culture of continuous improvement.
- Social, economic and environmental outcome.

Ethical and effective leadership

Ethical and effective leadership relates to uniting purpose and performance. Embedding an ethical culture recognises that the trust of our stakeholders is the basis on which we compete and win.

CREATING VALUE FOR SOCIETY

Social relevance is fundamental to our survival and success, and is implied in our purpose and vision.

We are moving towards measuring our social return, and to obtaining a truer picture of our broader value outcomes. This involves identifying the social, economic and environmental risks and opportunities that Uganda presents and how our business activities can respond to these.

Corporate citizenship

Corporate citizenship relates to the integral role we play in the socioeconomic wellbeing of Uganda. It commits us to using our resources responsibly as inputs to our business model, and balances our needs with those of society.

DRIVING UGANDA'S GROWTH OVER THE LONG TERM

Our multi-generational purpose recognises the mutual interdependency in the wellbeing of Uganda and of Stanbic. It is the ultimate expression of our commitment to Ugandan growth that is inclusive and sustainable, and in turn secures viable markets for our long-term profitability and value creation.

Sustainable development

Sustainable development commits us to enhancing the resources and relationships we rely on today, for the future. Our plans to measure social, environmental and economic returns, will enable us account for the total returns we deliver in line with our purpose.

CLIENTS

Business and Commercial Clients

Consumer Hight Net Worth Clients

Corporate & Investment Banking

EMPLOYEES AND THEIR REPRESENTATIVES

Permanent

Temporary

Contract

GOVERNMENTS AND REGULATORS

Bank Of Uganda

Uganda Securities Exchange

Capital Markets Authority

Financial Intelligence Authority

Deposit Protection Fund

National Information Technology Authority

National Bureau for Non - Governmental Organisations

SHAREHOLDERS AND INVESTMENT ANALYSTS

Investors

Shareholders

Analysts

COMMUNITIES AND CIVIL SOCIETY

Suppliers

Media

Advocacy Groups

Public

Our strategy

Our strategy is centred on our commitment to Uganda and directs our growth and evolution to the shared benefit of our clients, our people and all our stakeholders. It allows us to lead with purpose, to build a better business, and to position our footprint and platform for the future.

Our purpose

Uganda is our home, we drive her growth

Our strategic priorities

Transform client experience	Execute with excellence	Drive sustainable growth and value
Our client segments will: **DEFEND** our current client franchise and market positions **GROW** as we capture opportunities, with specific focus on our ten prioritised ecosystems	Our Client Solutions, Engineering and Innovation capabilities will: **DELIVER** innovative and cost-effective client solutions **ENABLE** the group's platform **PARTNER** to drive value	We will be purposeful in: Diligently **ALLOCATING RESOURCES** Delivering **ATTRACTIVE SHAREHOLDER RETURNS** Having a **POSITIVE IMPACT**
We will transform client experience using digital technology, amplified by the human touch. We aim to understand our clients as deeply and empathetically as we can, and then use our human skill and digital capabilities to help meet their needs and enable them to achieve their goals.	We will execute with excellence, delivering innovative and cost-effective products and services ourselves and in partnership with others.	We will drive long-term, environmental and socially sustainable growth and value. We will responsibly allocate our resources and strive to deliver positive impact.

Our success measures and value drivers

CLIENT FOCUS + EMPLOYEE ENGAGEMENT + RISK AND CONDUCT + OPERATIONAL EXCELLENCE = FINANCIAL OUTCOME | SEE IMPACT

Our values

Serving our customers

We do everything within our power to ensure that we provide our customers with the products, services and solutions to suit their needs, provided that everything we do for them is based on sound business principles.

Delivering to our shareholders

We understand that we earn the right to exist by providing appropriate long-term returns to our shareholders. We work hard to meet our various targets and deliver on our commitments.

Working in teams

We, and all aspects of our work, are interdependent. We appreciate that together, we can achieve much greater things than as individuals. We value teams within and across business units, divisions and countries.

Respecting each other

We have the highest regard for the dignity of all people. We respect each other and what Stanbic Uganda stands for. We recognise that there are corresponding obligations associated with our individual rights.

Growing our people

We encourage and help our people to develop to their full potential and measure our leaders on how well they grow and challenge the people they lead.

Being proactive

We strive to stay ahead by anticipating rather than reacting, but our actions are always carefully considered.

Constantly raising the bar

We have confidence in our ability to achieve ambitious goals and we celebrate success, but we must never allow ourselves to become arrogant.

Upholding the highest levels of integrity

Our entire business model is based on trust and integrity as perceived by our stakeholders, and especially our customers.

Our 2022 aspirations

Our strategic priorities create the framework within which we work. Everything we do will further these three priorities and we have set targets against which we will track our progress.

OUR STRATEGIC PRIORITIES →

- Transform client experience
- Execute with excellence
- Drive sustainable growth and value

OUR SUCCESS MEASURES AND VALUE DRIVERS →

CLIENT FOCUS + EMPLOYEE ENGAGEMENT + RISK AND CONDUCT + OPERATIONAL EXCELLENCE = FINANCIAL OUTCOME | SEE IMPACT

OUR TARGETS →

Client Focus
- Real Impact in focus sectors
- Deepening Ecosystems
- Partnership with Government

Employees
- Employee NPS improvement by 10%
- Regrettable attrition <5% ,Talent management
- Leader development
- Diversity and inclusion

Risk & Conduct
- Managing Credit risk
- Keep Operational losses < 1% of revenue
- Leveraging Data, Artificial Intelligence (A.I) to manage risk
- Automation of Backoffice and front office

Operational Excellence
- Increase digital transactions > 90%
- Digital On-boarding > 80%
- Collaborative teams through the Shared services model

Financial Outcome
- cost to income ratio below 50%
- Loans and Advances growth
- Deposit book growth
- ROE >20%

SEE Impact
- Financial inclusion
- Uganda is Young: Youth CVP
- Green energy drive participation
- Focus on Sustainability Development Goals

OUR TARGET OUTCOMES →

- Growth and scale
- Efficiency and resilience
- Legitimacy

Our different business functions

CLIENT CENTRICITY

CORPORATE FUNCTIONS
- Client Solutions
- Engineering
- Service Quality
- Credit
- Risk
- Governance
- Finance
- Human Capital
- Marketing and Communication
- Compliance Risk
- Internal Audit
- Legal

BUSINESS UNITS
- CHNW
- BCC
- CIB

LEGAL ENTITY
- SUHL
- SBUL
- SPL
- SBIL
- SBGS
- FLYHUB

These are the different functions through which we will deliver our aspirationss for 2022.

Our Strategic Outcomes

Our strategic value drivers measure our strategic progress and allow us to focus on the value we aspire to create for all our stakeholders.

We continue to improve the coverage, accuracy, depth and consistency of the metrics we use to measure our strategic progress against our defined targets for the medium term. Below we set out the key perfomance indicators associated with each of our Strategic Value Drivers.

CLIENT EXPERIENCE

CLIENT FOCUS

We provide **consistently exceptional client experiences** in all the markets in which we operate.

Measure	Metric	Actual 2021	Actual 2020	Actual 2019
Client experience	Net Promoter Score (NPS)	**+19**	+16	+24
	Customer Satisfaction Index (CSI)	**8.8**	8.2	8.3

Our focus is to consistently create excellent client experiences, by understanding our clients and by offering the products, services and solutions they need. The lower values in 2020 and 2021 were as a result of the services disruptions due to the covid-19 pandemic and the resultant containment measures i.e lock-downs.

EMPLOYEE ENGAGEMENT

We ensure our **people feel deeply connected with our purpose** and are empowered and recognised.

Measure	Metric	Actual 2021	Actual 2020	Actual 2019
Employee engagement	eNPS	**72**	61	44
Employee retention	Employee Turnover Rate	**6.4%**	4.2%	8.8%
Employee diversity	Employee diversity (% of female managers)	**42%**	41%	45%

To determine engagement levels, we consider the following:
- Employee net promoter score (eNPS), determined through Internal Service Score
- Employee turnover rate (ETR)
- Employee diversity

To inform and enhance the effectiveness of our employee engagement, the Internal Service Score is conducted annually and the ETR will continue to be tracked monthly.

EXECUTING WITH EXCELLENCE

RISK & CONDUCT

We ensure we do the **right business, the right way** by adhering to our risk appetite metrics.

Measure	Metric	Actual 2021	Actual 2020	Actual 2019
Responsible risk taking	Liquid Assets to Deposit Ratio	**58.7%**	60.0%	50.0%
	Capital Adequacy	**21.9%**	18.0%	18.3%
	Bank of Uganda CAMELS* risk rating.	**Acceptable**	Fair	Fair

Government, CMA and the central bank create and enforce regulatory frameworks to ensure a safe financial system, conducive to economic development, while protecting our clients. We undertake to ensure compliance with all regulatory requirements, relevant to different parts of our business.

*CAMELS:
Bank of Uganda Supervisory Rating System:
Capital Adequacy
Asset Quality
Management
Earnings
Liquidity
Sensitivity to Market Risk

DRIVE SUSTAINABLE GROWTH AND VALUE

FINANCIAL OUTCOME

We aim to deliver **superior value to shareholders.**

Measure	Metric	Actual		
		2021	2020	2019
Shareholder value	Return on Equity (ROE)	**19.4%**	20.5%	25.0%
	Cost to Income Ratio (CTI)	**51.3%**	48.3%	49.0%
	Credit Loss Ratio(CLR)	**1.8%**	2.4%	1.5%
	Dividend Per Share (DPS)*	**0.98***	1.86	2.15

The financial outcomes remain key measures to assess our value creation for our shareholders. Our focus is to maintain the CTI at acceptable levels and the CLR within the Bank's risk appetite, and to continuously drive growth in PAT and ultimately, our ROE to deliver superior returns to our shareholders.

*Approval for payment of dividends(2020 & 2021) has not yet been received from the Bank of Uganda hence no payment made.

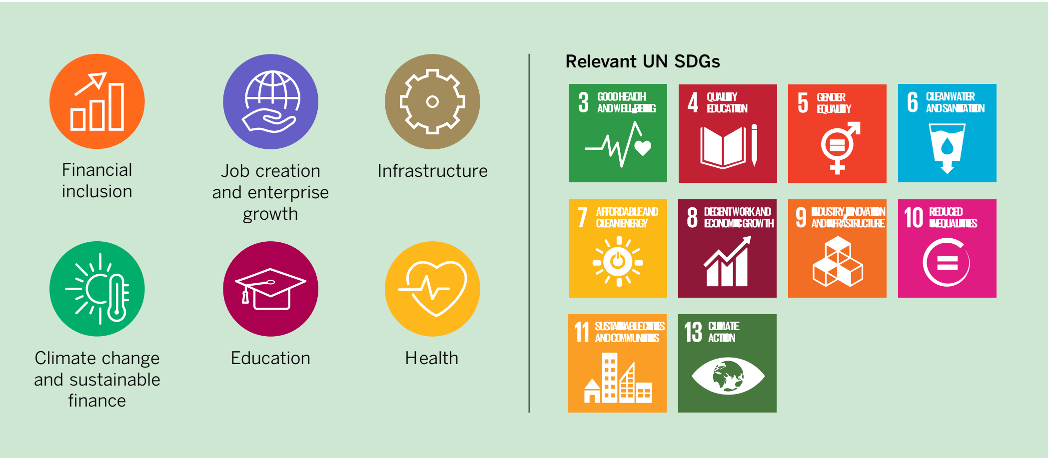
SEE IMPACT

We drive Uganda's growth through **delivering shared value.**

Our SEE management approach is guided by our purpose, drivers that support Uganda's growth, our core business and the needs of our societies. We continue to work on identifying metrics to measure our direct contribution to society. 2020 and 2021 were unprecedented years with a global pandemic that affected all sectors in the economy. As Stanbic, we identified with our different stakeholders through our CSI in both the education and health sectors that were heavily impacted.

Additionally, we provided support to our clients through loan restructures, awareness campaigns etc. Further details of our initiatives can be found in the Sustainability Report on page 60.

Measure	Metric	Actual		
		2021	2020	2019
Delivering shared value	**Social:** CSI Investments (UShs bn)	3.5	3.9	2.9
	Economic: Loans disbursed (UShs bn)	3.0	3.2	2.1
	Procurement percentage spent on local suppliers	81	87%	87%
	Enviromental:			
	Water consumed (kilolitres)	21,205	20,820	26,073
	Fuel consumed (litres)	378,235	403,662	450,431
	Paper consumed (tonnes)	40	59	64



The premise for our shared value strategy is the need to connect commercial and social realities in a dynamic environment of competing stakeholder expectations, complex competitive forces and fluid regulatory changes. Our ability to deliver sustainable returns to our shareholders is contingent on this holistic view of value creation and includes defining and measuring the key strategic value drivers required to generate a suitable financial outcome, as well as positive broader social outcomes.

BUSINESS REVIEW

2021 at a Glance

PROFIT BEFORE TAX
USh 351.2bn
2020: USh 318.6bn

RETURN ON EQUITY
19.4%
2020: 20.5%

EARNINGS PER SHARE
USh 5.3
2020: 4.7

TOTAL CAPITAL ADEQUACY
21.9%
2020: 18.0%

NON-PERFORMING LOAN RATIO
4.7%
2020: 4.5%

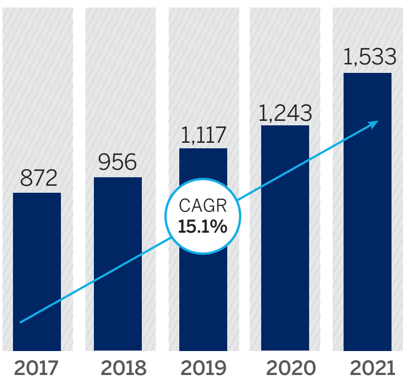
COST TO INCOME RATIO
51.3%
2020: 48.3%

CUSTOMER DEPOSITS
USh 5.7tn
2020: USh 5.5tn

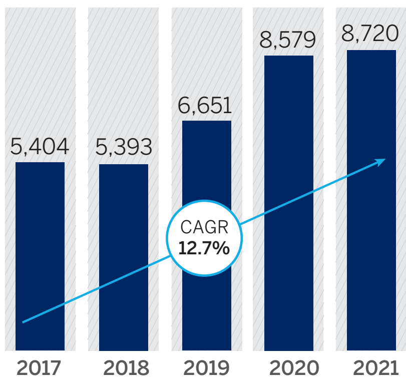
CUSTOMER LOANS
USh 3.7tn
2020: USh 3.6tn

OFF BALANCE SHEET
USh 1.9tn
2020: USh 1.8tn

SHAREHOLDER'S EQUITY



TOTAL ASSETS



Awards

Financial Reporting (FiRe Awards)

Bronze for Integrated Report of the Year Award

Commercial Banks category (winner)

Best Listed Entity (winner),

Sustainability Reporting Award (winner)

Corporate Governance Award (winner).

Best Woman CEO
Banking Sector - Uganda 2021
Ms Anne Juuko, Global Brands Magazine (GBM)

Best Banking Brand, Uganda 2021

Most Trusted Banking Brand, Uganda 2021

Stanbic Bank Credit Ratings 2021

FitchRatings

Local Rating = AAA (Uga) Stable

International Rating = B+ (Negative Outlook)

MOODY'S

Deposit Rating = B1 (Stable)

Counter-party Credit Risk Rating = Ba3

Operating and Financial Review

Ronald Makata –
Ag. Chief Financial Officer

Operating Environment

The 2021 operating environment started with optimism on economic growth recovering from the contraction experienced in 2020 and renewed hope of an end to the pandemic. The rebound in the first half of the year was dampened by a second Covid-19 wave that triggered a 42-day nationwide lockdown in June 2021. A rebound was noted later in the year as the economy partially reopened, reflected in the improving Purchasing Managers' Index (PMI) from a low of 34.9% in June 2021 to 51.5% at close of the year. However, Tourism and Education sectors remained subdued. Bank of Uganda maintained its Credit Relief Measures (CRM) and Covid-19 Liquidity Assistance Program (CLAP) towards Supervised Financial Institutions into September 2021. The CLAP remained available to ensure viability of solvent Supervised Financial Institutions that might have come under liquidity stress during the pandemic.

The central bank through, its Monetary Policy Committee (MPC) took the decision to continue with an accommodative monetary stance in a bid to support recovery of the economy. The central bank rate (CBR) was dropped by 50 basis points from 7% to 6.5% the lowest level ever since its inception and maintained for the rest of the year. This was on account of the outlook and balance of risks with the most significant being the duration of disruptions to the global production chain and related stronger inflation pressures globally.

The Uganda shilling appreciated against the US dollar during the year to close the month of December 2021 at 3,450/3,570 levels compared to 3,665/3,720 in January 2021. Given that most economies across the globe remained closed and the level of aggregate demand remained low hence both global and local economies were closed for a period of time the supply outweighed demand for dollars. Most of supply came from exporter flows (coffee and cocoa), as well as NGO inflows. The currency is expected to remain range-bound in 2022 with activity picking up once the economy fully reopens after all Covid-19 containment measures are lifted.

The interest rate environment followed a similar trend as as the CBR with Treasury Bill rates printing lower across all tenors in 2021, the primary auctions for December closed with treasury bill yields for the 91-day, 182-day and 364-day tenors at 6.5%, 8.5% & 10.4% respectively from 8.0%, 10.71% & 13.2% at end of January 2021. This was largely attributed to continued offshore interest in local paper and increased market liquidity.

Annual Headline Inflation was largely benign having closed at levels of 2.2% in December 2021 compared to 2.0% in January 2021. Annual Core Inflation printed 2.9% in December 2021 as compared to 5.5% recorded in January 2021. Inflation is forecast to rise but stabilize around the 5% target, contingent on the evolution of the pandemic and the efficacy of the vaccines.

Regulatory updates

The National budget of UShs 44.8 trillion for the Financial Year 2021/2022 was passed. This was lower than the 2020/2021 budget of UShs 45.5 trillion. In the budget UShs 7.6 trillion was allocated for human capital development expected to see an increase in the number of teachers and health workers, UShs 6.9 trillion for peace and security, UShs 5.1 trillion for infrastructure development and UShs 560 billion for six million crucial and vulnerable groups to be vaccinated against Covid-19.

Parliament passed the National Social Security Fund (Amendment) Bill, 2021 and the President assented to this law in January 2022. The law allows workers who have saved for over 10 years and have reached the age of 45 mid-term access of 20% of their savings. It further streamlined the supervision of the Shs 15 trillion fund between the ministries of Gender and Finance.

The Central Bank started a consultative process to increase the paid-up capital requirement for commercial banks from UShs 25 billion to UShs 150 billion, credit institutions from UShs1bn to UShs 25 billion and micro deposit taking institutions from UShs 0.5 billion to UShs 10 billion. This might see some banks getting capital injections or mergers and acquisitions.

The Central Bank used 2021 as the transition year from Basel I to Basel II capital accord. Basel II requires banks to hold capital for operational risk in addition to credit risk and market risk which banks were already holding capital for. Basel II recognises collateral in computing credit risk as well as international credit ratings of the borrowers.

Other key developments

- The International Monetary Fund (IMF) approved a 36-month arrangement under the Extended Credit Facility (ECF) for Uganda in an amount equivalent to US$1 billion to support the post-Covid-19 recovery and the authorities' plan to increase households' incomes and inclusive growth by fostering private sector development.

SUHL demonstrated resilience and was adequately capitalised in the face of considerable stress attributable to the economic impact of Covid-19 response measures and presidential and parliamentary elections.

- The United Kingdom extended an offer to lend Uganda £ 2 billion (about Ush 9.5 trillion) for industrial park development. The £ 2 billion is in addition to the £ 500 million that had earlier been earmarked by UK Export Finance (UKEF) for the Kampala Industrial and Business Park (KIBP) which covers an area of approximately 890 hectares (8.9 km^2) that the Government has earmarked to become a model industrial park for the rest of the country.

Outlook for the 2022

We remain very optimistic about 2022 with full reopening of the economy and key developments in oil and gas albeit partial dampening by world events and local developments.

Uganda, Tanzania governments and France's Total Energies and partner China National Offshore Oil Corporation reached an Investment Decision (FID) agreement to kick start crude oil production. The $10 billion investment will pave the way for the export of millions of barrels of black gold that was first discovered in 2006 in Uganda, one of the world's most biodiverse regions. The oil will be pumped from Uganda in a 1,443-kilometre (900-mile) heated pipeline one of the longest of its type when completed, through Tanzania to the Indian Ocean port of Tanga.

Parliament passed the Mining and Minerals Bill, 2021 which will see the establishment of the Uganda National Mining Company that will manage the Government's commercial holding and participating interests in mineral agreements. The mineral agreements and production sharing agreements will apply to highly capitalised investment and complex mining.

The Government of Uganda and World Bank signed an agreement of $ 180.3 million (more than Shs 633 billion) for additional financing for the Uganda Covid-19 Response and Emergency Preparedness Project (UCREPP). Project financing in the amount of $ 15.2 million (U Shs 53.3 billion) will be directed towards preventing, detecting and responding to Covid-19 and strengthening national systems for public health emergency preparedness in Uganda

The Government of Uganda presented to parliament the budget estimates for the 2022/2023 financial year totalling Shs 47.2 trillion with over UShs 1 trillion allocated to the full operationalization of the Parish Development Model, a Government strategy or approach for organizing and delivering public and private sector interventions for wealth creation and employment generation at the parish level as the lowest economic planning unit. Government also tabled nine tax amendment bills to streamline tax administration in the 2022/2023 financial year to smoothen the administration of existing taxes.

Financial Review

We remained resilient in 2021, this saw a rebound to a positive growth trend in profitability year-on-year, having dipped in 2020 due to the impact of Covid 19. The Group's earnings closed at Ushs 269 billion which was 11.4% above the previous year, demonstrating the diversity in the revenue model, overcoming the continued disruption of business environment and increased credit risk due to the impact of covid 19. Owing to a recovering economy, our continued focus on supporting our clients during this difficult time with innovative solutions, enabling our employees remain healthy and continue to operate seamlessly and prudently addressing risk lead to our consolidated results closing at a profit after tax (PAT) of Ushs 269 billion.

The performance was attributed to strong double digit trading revenue, well managed credit impairment and continued investment in technology.

Key highlights were:

Strong growth in trading revenue

+

We managed credit impairement

+

Continued investment in technology

Financial Performance Review

A brief review of the major assets and liabilities, how they affected the consolidated results and the drivers behind the variances year on year is as follows.

Note: Given that Stanbic Bank Uganda Limited is the major subsidiary of Stanbic Uganda Holdings Limited (SUHL) for the year ended December 2021, the commentary below will largely focus on the banking subsidiary. It is however important to highlight that two of our new subsidiaries have already broken even before their second anniversary.

Cash and Balances with Banks

These are made up of mainly the cash we hold in our network, statutory cash reserves with Bank of Uganda, balances with other commercial banks and repos held with the Bank of Uganda for short periods awaiting suitable investment opportunities.

The cash and balances with banks edged up by 14.5% against prior year, resulting from timing of significant settlements of nostros, repo and placements with other Banks, In addition to the growth in customer deposits as well as maturing financial investments.

Securities Investments

Government securities holdings dropped year on year largely on the trading books by 27.5% but slightly edged up under financial investment by 1.9%. The continued uncertainty in interest rate outlook led to a cautious position held focusing on the trading instruments.

Loans and Advances to Customers

Loans and advances grew by 2.8% (UShs 104 billion) in 2021. The growth was supported by the partial reopening of the economy and increased Government investment in power & infrastructure, counter balances largely under the BCC and CHNW portfolio, while CIB portfolio growth was restrained by transfer of part of the facility externed to the Government of Uganda.

Customer Deposits

Customer deposits maintained a growth trajectory up by Ushs 248 billion representing a growth rate of 5%. The growth was largely from the SME following the reopening of the economy offset by a reduction in the CIB business segment following increased capital investments in expansion projects.

Brief reviews of other key factors impacting the performance of Stanbic Bank are reflected below:

Margins

This represents the profit margin between the interest rate earned from earning assets and interest rate paid on deposits and other sources of funding. The key drivers of this ratio are the CBR, the proportion of interest earning assets and deposits to the bank total assets and funding base respectively, the portfolio mix of the assets by tenure and currency and the credit quality of assets on the book.

The net interest margins (NIMs) registered a decline following a reduction in the CBR and a general decline across the yield curve for government securities. The CBR remained relatively stable decreasing by only 50 bps around June 2021 to close at 6.5%. This resulted in lower yields on the assets leading to NIMs dropping by 59bps from 6.8% in 2020 to 6.3% in 2021.

Credit Loss

The credit-loss ratio (CLR) is the impairment charge expressed as a percentage of the closing loans and advances book. It represents the loss the Bank incurs as a result of delinquencies from customers and also general credit provisioning for un-identified credit losses.

The Covid-19 outbreak continued to evolve in 2021 with a significant mid-year increase in cases driven by the Delta variant. During the year, Bank of Uganda extended the Credit Relief period by six months to the end of September 2021 in response to the disruption triggered by the global pandemic. Following the expiry of the relief period on 30 September 2021, Bank of Uganda granted an additional one-year window within which supervised financial institutions may at their discretion grant credit relief to borrowers in the education and hospitality sectors. The credit relief measures are aimed at helping commercial banks and other supervised financial institutions to continue restructuring loans and support these targeted sectors.

The Bank focused on early engagement of borrowers in high-risk segments and applied Bank of Uganda credit relief measures where appropriate.

The credit loss ratio dropped from 2.4% recorded in 2020 to 1.8% in 2021. The prudent approach taken towards impairment at the start of the pandemic started to payoff in 2021, shown by the reduced credit loss ratio largely from the CIB and BCC portfolio supported by the reopening of the economy.

Below is an analysis of the major revenue lines generated by Bank and the costs incurred in the process:

Net Interest Income

Net interest income is the difference between interest received on lending products and financial investments, and the interest paid on deposits and debt funding and subordinated debt.

The net interest income for the year increased by 1.5% to UShs 498.0 billion from UShs 490.8 billion recorded in 2020. The upward trend was as a result of the marginal increase in investment in interest-bearing assets, notably customers loans and advances together with increased investments in government securities held at fair value through other comprehensive income (FVOCI).

Non-interest Income

Non-interest revenue comprises net fee and commission revenue, trading revenue and other revenue. Non-interest revenue edged up by 19.0% closing at UShs 405.5 billion from UShs 340.6 billion recorded in 2020. The increase was registered under trading revenue and fees and commission income, but a decrease registered under the other operating income as highlighted below:

Net Fees and Commission

Net fees and commission income increased by UShs 7.5 billion (4.8%) to close at UShs 164.8 billion from the UShs 157.3 billion recorded in 2020. The performance of fees and commissions was attributable to increased activity from short term facility fees, trade finance and a general increase across transactional lines.

Trading Revenue

Trading revenue was up by UShs 56.4 billion (31.8%) closing at UShs 233.7 billion from the UShs 177.3 billion recorded in 2020. The trading revenue growth against the prior year was attributed to good performance under the trading desks, where both the money market desk and fixed income desk were positively impacted by the drop in interest rates. In addition to an uptick in foreign exchange trading revenue resulting from volatility of the rates, increased transaction volumes and positive margins from trades done during the year.

Credit Impairment Charges

Credit impairments represent the losses incurred as a result of the inability of our customers and clients to repay their debt obligations to the Bank. The credit loss ratio expresses these impairment charges as a percentage of average loans and advances and indicates how much, on average, of each Shilling lent by the Bank results in credit impairments.

The impairment charge dropped by UShs 21.3 billion year on year to UShs 70.4 billion from UShs 91.7 billion in 2020, with the credit loss ratio closing the year at 1.8% in 2021 compared to 2.4% in 2020. This resulted from drop in provisions in the CIB space by UShs 22.7 billion largely against key names like; Mogas coupled with improvement in probably of different and decreased exposure at default partially offset by increased risk under exposures.

Operating Expenses

Operating expenses represent the costs that were incurred to support current and future revenues. Inflation and foreign exchange rates are key external indicators that contribute to the increase in such expenses. Many internal factors also affect the growth in operating expenses, such as our staff and investments in branch and IT infrastructure.

Total operating cost was up (14.4%) closing the year at UShs 481.9 billion compared to UShs 421.0 billion in 2020.

Staff costs reflected a growth of 5.3% from UShs 169.5 billion in 2020 to UShs 178.5 billion. The increment was as a result of annual inflation-related increment and deliberate efforts to develop a future ready work force.

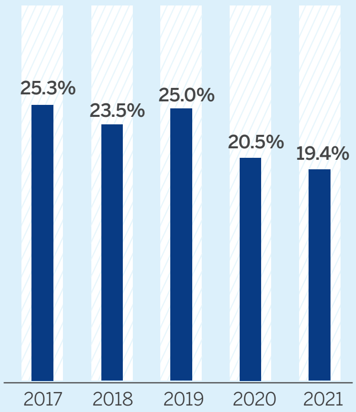
Other operating costs were up by 20.6%, closing at UShs 303.3 billion from UShs 251.5 billion in 2020. The increase was largely under the Information technology spend following a deliberate effort to increase investment in innovative solutions to improve our client experience.

5 Year Performance

	2021	2020	2019	2018	2017
Income statement (UShs'm)					
Profit before income tax	**351,210**	318,613	349,634	296,678	265,666
Profit after tax	**269,312**	241,686	259,094	215,140	200,468
Financial position (UShs'm)					
Shareholders' equity	**1,533,303**	1,243,439	1,116,866	956,352	872,280
Total assets	**8,720,096**	8,578,898	6,650,825	5,393,059	5,420,531
Loans and advances to customers	**3,722,073**	3,618,353	2,852,647	2,508,828	2,133,986
Property and equipment	**75,545**	81,418	86,438	51,527	75,267
Customer deposits	**5,741,043**	5,493,480	4,722,204	3,892,295	3,620,946
Returns and ratios					
Return on average equity	**19.4%**	20.5%	25.0%	23.5%	25.3%
Return on average assets	**3.1%**	3.2%	4.3%	4.0%	4.0%
Loan to deposit ratio	**64.8%**	65.9%	60.4%	64.5%	58.9%
Cost to income	**51.3%**	48.3%	49.0%	51.5%	50.5%
Capital adequacy					
Tier 1 capital ratio	**19.9%**	15.8%	15.8%	16.2%	21.3%
Tier 1 + Tier 2 capital ratio	**21.9%**	18.0%	18.3%	18.9%	24.2%
Risk weighted assets (UShs'm)	**6,415,439**	5,825,212	4,917,214	4,425,055	3,650,214
Share statistics (UShs)					
Closing number of shares in issue (in millions)	**51,189**	51,189	51,189	51,189	51,189
Earnings per share - basic and diluted	**5.26**	4.72	5.06	4.20	3.92
Dividends per share - proposed and/or paid	**0.98**	1.86	2.15	1.90	1.76
Other information					
Number of employees	**1,756**	1,612	1,667	1,664	1,740

Key Perfomance Indicators

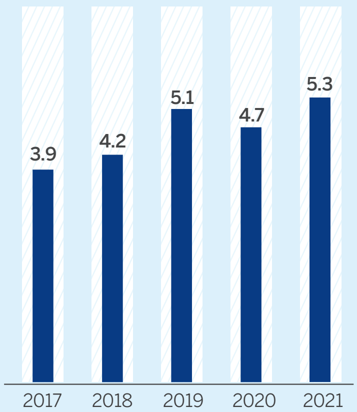
Profitability



RETURN ON EQUITY

Objective: To deliver consistent returns (RoE) with a target minimum threshold set at 25%.

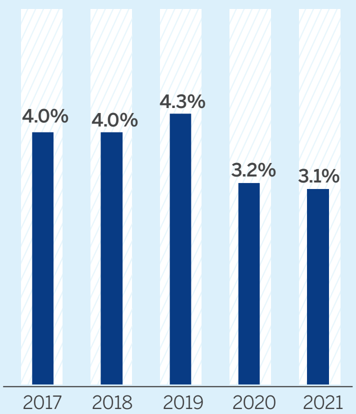
Results: RoE was 0.9% down up from 2020 given the impact of the pandemic especially during the first three quarters when it worsened forcing the deterioting state of the economy.



EARNINGS PER SHARE

Objective: To deliver consistent earnings per share growth with a minimum threshold set at GDP growth plus inflation

Results: EPS was up by 0.6 % from previous year in line with the rise in profits by 11 %.

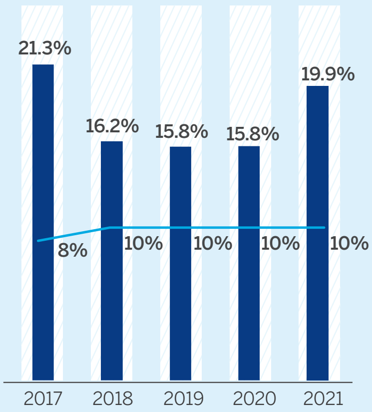


RETURN ON ASSETS

Objective: To effectively deploy the Bank's liquidity into the optimal balance of assets that generates consistent returns above the internal benchmark of 4%

Results: RoA closed 2021 at 0.1% down up from prior year. The slow growth was mainly driven by muted growth on loans and advances for the year.

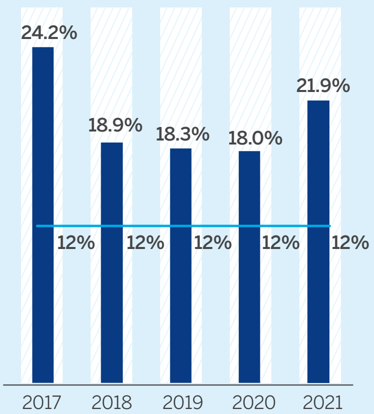
Capital Adequacy



CORE CAPITAL ADEQUACY

Objective: To maintain adequate levels of capital required to cover for regulatory capital adequacy requirements, business growth and investment prospects and for assessed stress events.

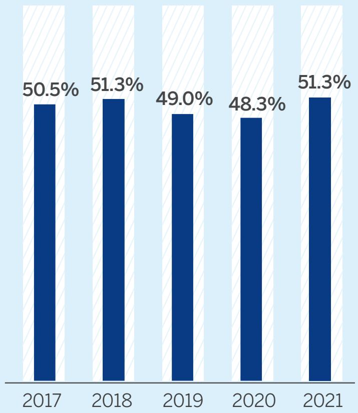
Results: Tier 1 Capital closed at 19.9% compared to 10% regulatory requirement. Capital position remains strong to meet any growth aspirations.



TOTAL CAPITAL ADEQUACY

Results: Total Capital Closed at 21.9% compared to 12% regulatory requirement. The capital position remains strong and sufficient to cover the Bank growth aspirations.

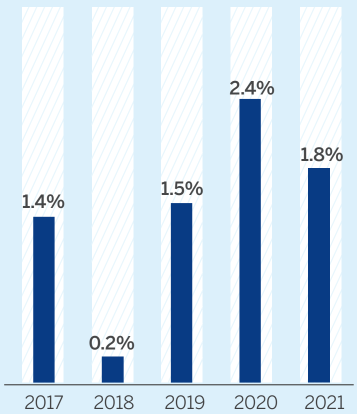
Efficiency



COST TO INCOME RATIO (CTI)

Objective: To attain a target cost to income ratio of 50% target in 2021.

Results: Our cost-to-income ratio declined to 51.3%, missing the set target of below 50% by 1.3% as at 2021 due to continued investment in IT to enhance our digital capabilities and other operational loss provisions.



CREDIT LOSS RATIO (CLR)

Objective: To maintain a strong quality customer lending portfolio, with credit loss ratio below 2.5%

Results: The CLR of 1.8% lower than the 2.4% recorded in the previous year ,maintaining below the target risk appetite level of 2.5%.

Corporate and Investment Banking Review

Paul Muganwa
Head CIB

2021 overview:

Going into 2021, we were confident in the resilience of our business, its ability to withstand shocks and facilitate growth in our clients' businesses and their respective ecosystems. This confidence was affirmed by the double-digit growth of 15% in profitability for 2021.

Client focus:

Our objective in 2021 was to support our clients in the"Post-Covid" recovery initiatives, benchmarked on projected GDP growth and the positive sentiments as captured in the Purchasing Managers Index (PMI) which reverted to above 50% in February 2021. Key to note is that substantive credit facilities were granted to critical sectors including Manufacturing (UShs 630 billion - 39%), Transport and Communication (UShs 321 billion - 20%), and Trade (18%)were granted to the sector, The core client portfolio (excluding Government of Uganda budget support loan) grew by 9.8% in 2021 and well above total sector growth of 8.5%.

We continued to support key initiatives of mobilising affordable financing for the wider population through the Enterprise Economic Restart Fund (EERF) and these trickled down to SACCOs and VSLAs through the bank's Business and Commercial Clients (BCC) segment. We have established structures to increase utilisation of this affordable offering by inviting other Financial Institutions and Non-Banking Financial Institutions to participate in the initiative.

People and Culture:

Our people are core to the execution of our strategy and ensuring talent retention, growth, and experience within the organisation is critical. In spite of the persistent adverse impact of the pandemic in 2021, the employee engagement indicator (eNPS) increased by 11 points from 61 in 2020 to 72 in 2021. The key consideration supporting this improved level of engagement is over 95% of CIB staff understanding how their work and efforts contribute to the Purpose of the bank (Uganda is our Home, We drive her Growth).

Risk and conduct:

Our business risk appetite in 2021 was congruent with the broader economic environment in which supporting business recovery was critical. We ensured that our operations continued to be guided by the embedded risk appetite parameters and a prudent risk management culture. Our expertise in financial risk management enabled us to navigate the macroeconomic risks and accelerate returns in the trading portfolio. We experienced significant pressures under operational risk largely orchestrated by third party risk which slowed down our momentum in the second half of 2021, but that did not deter us from delivering strong profits. We have put in place enhanced risk mitigating factors which include application of data models with the ability of detecting transaction anomalies and identifying behaviour that is not consistent with normal client behaviour. These measures will continue to support our sustainability in 2022 and beyond.

Financial outcome:

2021 was another year of record performance for the CIB business earmarked by a careful balance between driving revenue growth and managing credit risk. Total revenues grew by 10% in 2021 with client revenues holding firm and credit impairment charges reducing by 88% in a sector which saw credit impairment charges increase by UShs 114 billion or 26% year on year.

Sustainable financial performance in the CIB business is hinged on the agility to switch revenue drivers as and when the operating environment evolves. The CIB business grew market share in Trading revenues from 44.2% in 2020 to 45.7% in 2021 and market share for Trade contingents remained well above 40%.

Looking ahead:

Like many of the clients we serve, we are optimistic about the future, the recovery of the economy to the 5-6% GDP growth levels over the medium term, the emerging opportunities in the Oil and Gas sector and the ripple effect on the overall economy.

Our focus in 2022 entails accelerating investments in capital structures to support our clients' short, medium, and long-term goals, deepening the talent pool, deploying new risk mitigants leveraging data, driving new innovations within the payments and collections space supported by strategic partnerships, and keeping the promises to our shareholders of delivering a decent return on their investment.

Business and Commercial Clients Review

Emma Mugisha
Head BCC

Our business

Business and Commercial Clients (BCC) provides banking and other financial services to commercial businesses, medium and small enterprises, educational institutions, public sector and Non-Government Organisations across the country. 2021 proved to be quite the challenging year for our customers, with several of their businesses taking significant strain on account of the second COVID-19 Lockdown. The impact continued to be felt in the lower base (SACCOs, SMEs) and more so in the education sector that remained on prolonged lockdown until early this year. Our commitment, in this context remains; to be a partner with our customers even through the economic troughs, to deepen our client relationships, deliver value, and partner with our clients for growth post the pandemic.

Client Focus

In line with our purpose, we completed our Corporate reorganisation, splitting what was formerly known as Personal and Business Banking (PBB) into two i.e., Consumer and High Net Worth Clients (CHNW) and Business and Commercial Clients (BCC). This refreshed structure has allowed us the depth required to solution for our customers in their respective sectors. In response to insights from data and customer insights, we successfully rolled out our Education value proposition in which we revised our lending parameters (pricing, interest concessions, prequalification criteria etc.) This allowed our customers to start the year strong after 2 years of closure. Similarly, we refreshed our commitment to SACCOS and VSLAs in cognisance of their criticality in driving financial inclusion. We revised our overall risk appetite and acceptance criteria and put in place the internal structures and resources to support growth in this space. Strategic partnerships formed a critical part of our delivery; we onboarded key FinTech partners and risk share partners with similar impact goals to serve the new and growing client base. Digitalisation remained a key priority with notable progress made in decentralising processes as far as possible (e.g. trade services) to improve customer experience.

People and Culture

Our culture journey continued to take centre stage in line with our future-ready transformation. The hybrid work environment that we rolled out in 2020, at the start of the COVID pandemic, provided the requisite support to maintain productivity. The concurrent corporate reorganisation created growth opportunities within the team resulting in an overall rise in engagement levels (eNPS up to +60 from +52 prior year).

Financial Performance

Continued growth on Balance Sheet with Customer Deposits at UShs 1.93 trillion, up year-on-year by 10%. Loans and Advances growing 8% year-on -year to UShs 1 trillion, driven by uptick in Trade on the back of economic recovery from 2020. Revenue growth year-on-year of 4% mainly from Non-interest Revenue on the back of continued economic recovery supporting growth in business activity. Double-digit drop in impairments year-on-year despite risk remaining elevated. Profit After Tax up 59% year-on-year to UShs 28 billion.

Looking ahead

We will continue to deepen our customer relationships by delivering value throughout their ecosystems, via simplified, tailored value propositions. Continued focus on digitisation and ensuring stability, accessibility and convenience in our channel capabilities and system availability to provide a frictionless client experience. Capacity building and training for SMEs, through the Stanbic Business Incubator, will be critical in supporting their business recovery. We remain confident that the opportunities created by the announcement of the Final Investment Decision (FID) on Oil and Gas will boost growth across the various sectors and that we will play a critical role in championing thought leadership to deliver client growth.

Consumer & High Networth Review

Samuel F. Mwogeza
Head CHNW

During the past year under review, as part of the Group's broader future ready transformation (FRT) journey, the Consumer and high networth client segment (CHNW) spun off as a separate client segment from the prior Personal and Business Banking business segment. Our segment serves consumer clients ranging from high net worth to inconsistent income earners, based off their unique needs. CHNW also provides oversight for all the bank channels.

As we bedded down the change from this reorganization, we still needed to navigate the challenges of the continued disruption occasioned by the Covid-19 pandemic and meaningfully enable our clients and our employees as a commitment to our bank purpose; Uganda is our Home and we Drive her Growth. We reflected deeply on this purpose and defined that for us, bringing this purpose to life meant a commitment to enable better lives for our customers. Everything we do as a team is centred on how effectively we listen and respond to the needs of our customers and help them solve the important things that actually help them advance towards a better life. And in responding to this commitment, we have centred on four themes that shape our strategic focus;

1. Uganda is Young. With over half the national population below the age of 18 we must solve for what is meaningful for the youth by enabling their preparation and transition into productive society
2. Uganda is Rising. All Ugandans are on a personal wealth journey and the emerging opportunities present real possibilities to improve their disposable incomes, increase their portfolio of investments and safeguard their wealth for future generations
3. Financial Inclusion is critical. A large portion of the population are still excluded from the financial ecosystem and there's a central role to play in enabling every Ugandan have a chance at financial freedom
4. Uganda is Connected. We are a connected society with relationships inter-woven in the business, social and many other facets. Our customers live integrated lives and we must solve for them with that in mind.

Following from these themes, we defined our strategic priorities as; leading in customer experience, enabling scalability through low cost platforms (Flexipay, digital and Agent banking) and right partnerships, deepening our client relationships through personalized solutioning, enabling and empowering our employees to make the right decisions quickly and last but not least, doing the right business the right way. I am happy to report that we achieved good progress on these priorities with our active client base registering good growth, achieving record employee engagement scores and generally well managed risk within the appetite levels across most of the enterprise risk categories.

Notably our financial results were a reflection of the progress on these strategic priorities. Our top line revenue increased by 9% with good growth noted on both the Net Interest Income (7%) and also Non-Interest revenues (12%). Loans to our customers increased by a strong 15% as we deliberately extended affordable financing across a broad spectrum of our customer base with notable growth came under our home loan portfolio as we identified opportunities to responsibly grow within our risk appetite parameters. It is important to emphasize that we were keen to support our customers through the strained economic time and we leveraged our strong liquidity base and our digital platforms to avail the most affordable financing and in the shortest time possible under our "NOWNOW" campaign. Under this campaign, loans were disbursed in as low as under two minutes for customers who took-up the lending accommodation availed on our digital platforms. It continues to be a priority for us to empower our customers to access required financing at the lowest rates possible and within the shortest timeframe through leveraging our investment in our data and digital capabilities.

Our non-interest revenue growth was a strong reflection of the benefit of enabling improved convenience for our customers through our digital platforms and also diversifying our offering based of our customers lifestyles. In particular, our digital based fees grew by strong double digits and we also recorded very strong fee growth from Bancassurance, currency trading, investment products and short term financing.

Our credit impairment did register an increase of approximately 55% with the bulk of this increase concentrated in our "self-employed" housing portfolio. Notably the largest proportion of our lending portfolio remained well within risk appetite supported by strong client engagement through our ecosystem approach that supports de-risking of the bulk of our lending in the "employed" space. We maintained our commitment to partnering with our clients through managing the impact of the pandemic on their livelihoods and maintained an accommodative stance to supporting clients with debt restructuring in line with the guidelines issued by Bank of Uganda. It is important to note that the Covid-19 restructured portfolio has responded well through out the period.

We also continue to drive focus on enabling cost efficiencies and lowering the cost to serve our clients. We have notably registered significant gains on our physical channel transformation journey and also continued to strengthen our alternative channel capabilities on our digital and agent banking platforms. The outcome of this journey is that we now have less than 10% of our total transactional activity being processed at our branches. In addition, excluding the impact of a one-off exceptional operational loss event our cost to income (CTI) ratio would have dropped to approximately 51% compared to 53% at prior year. As we continue to transform

Our segment serves consumer clients ranging from high net worth to inconsistent income earners, based off their unique needs. CHNW also provides oversight for all the bank channels.

Our strategic priorities; leading in customer experience, enabling scalability through low cost platforms and right partnerships, deepening our client relationships through personalized solutioning, enabling and empowering our employees to make the right decisions quickly and last but not least, doing the right business the right way.

and re-purpose our physical channels, the intent will be to see all our branches attain fit for purpose size and capacity and to enable more value-add activities in the branch as we migrate the bulk of the transactional and enquiry activity to our alternative channels.

Despite the strong progress highlighted above, we did however note two areas of concern that we have defined actions in place to turnaround;

a) Decline in our client Net Promoter Score from +22 to +19. We have reviewed deeply the feedback received from our customers and have identified four key actions we need to address to improve the experience of our customers.

- Always On: Accelerate actions to improve the uptime of all client facing systems. These closed the year at 96% against out target of 99%.
- Strengthen the timeliness and quality of response to all our customer queries and concerns. This is being enabled by our investment in the Salesforce platform that has fundamentally improved our resolution management of client queries.
- Strengthen digital and alternative channel capabilities to reduce need to serve in branch
- Enrich the value propositions of our solution offerings to our clients. Notably we have launched two very impactful propositions for our government health workers and also for women in business and we are on track to launch more impactful value propositions within 2022.

b) Heightening pressure on our credit risk and operational loss ratios. These were impacted by Covid-19 strains on our self employed portfolio and an exceptional loss incident on our agent banking channels. Summary of key actions as below;

- Enhanced credit monitoring and risk appetite review on self-employed proposition.
- Strengthened operational risk monitoring capabilities with interventions scoped on leveraging enhanced data capabilities, decentralized and regular risk and control self-assessments, strengthening the risk governance operating model and continually improving staff awareness to emerging risks.

Our focus in 2022 remains rooted in doing valuable things for our customers quickly. We are committed to partnering with our customers and the next generation have a better life through availing relevant and affordable financial and "beyond financial" solutions. We have set an ambitious but achievable target to directly enable the lives of over three million clients by 2025. Our most important strategic priorities to enable this continue to be on leading in customer experience, enabling scalability through low cost platforms (Flexipay/digital/agent) and right partnerships, deepening our client relationships through personalized solutioning, enabling and empowering our employees to make the right decisions quickly and lastly, doing the right business the right way.

Our customers continue to embrace digital and agent banking as preferred channels for fulfilling their financial requirements and we remain relentless on ensuring we strengthen our capacity to solve for more client needs on these channels. The Flexipay journey is particularly an exciting one for us where we see a unique opportunity to significantly lower the cost of accessing financial services to a wide spectrum of Ugandans while also providing a broad base of micro finance solutions. Flexipay's value statement is based off enabling simplified, low-cost and convenient customer interactions that are supported by an ecosystem of value (merchants, agents, broad base of active users). I'm happy to report that we have registered good gains on this journey with customers now able to self-onboard without any engagement with the Bank in under two minutes as long as they have a national identity card. We closed 2021 with over 115,000 wallets and almost 25,000 merchants and we continue to see improvement in the activity rates of both the wallets and merchants. We continue to identify other solution providers we can integrate with to create a more valuable financial ecosystem for our Flexipay customers.

Developing personalized customer value propositions (CVPs) that meet the needs of our customers continues to be a priority. We have seen good early impact of some of the new CVPs developed over the last year. Notably, we launched a government health workers CVP as an initiative jointly developed with Ministry of Health to support government health workers with access to low-cost tailored financial intermediation and free financial fitness/literacy training. This CVP has already directly impacted approximately 4,000 government health workers and availed free embedded medical insurance cover and affordable financing in excess UShs 40 billion among many other benefits. We have also launched women in business value proposition and are refreshing the value propositions for our Affluent clients, farmers along defined value chains and other target groups, and we expect to see positive value metrics from these CVPs in 2022.

We remain committed to driving Uganda's growth and to continue to explore opportunities to support the social and economic priorities that are required to enable this.

RISK MANAGEMENT AND CONTROL

Chief Risk Officer's review

Martin Sekaziga –
Chief Risk Officer

SUHL demonstrated resilience and was adequately capitalised in the face of considerable stress attributable to the economic impact of Covid 19 response measures and presidential and parliamentary elections. Our steadfast risk management principles are pivotal to ensuring we consistently underwrite the right business the right way in pursuit of our strategic objectives.

SUHL maintained financial discipline throughout the year and built a strong balance sheet underpinned by a robust risk management framework, resulting in solid liquidity and capital ratios.

SUHL remains committed to continually improving risk, governance, and controls as we strive to build an enduring franchise that exceeds stakeholder expectations. This includes our commitment to acting on the significant societal challenges posed by climate change. Our Social Economic and Environmental (SEE) framework articulates the principles that guide us as we mitigate Environmental, Social and Governance risks.

We are actively monitoring the war in Ukraine including cyber security threats, food inflation and sanctions compliance to ensure our risk mitigation strategies can withstand any adverse conditions. Furthermore, the uncertainty related to the upcoming Kenya elections exacerbates the geopolitical risk posture of our operations. We remain vigilant against these risks and are constantly assessing the effectiveness of our response measures.

This report is focused on SUHL as the operating entity during the year.

Reflections on the Year

SUHL proactively engaged clients who were adversely impacted by the pandemic. The interventions were done consistent with Bank of Uganda guidelines and averted asset quality deterioration, ensuring that our clients remained a going concern during the unprecedented crisis. This also ensured we maintained a strong capital position.

The bank experienced a material operational incident where some of its agents defrauded the bank by exploiting a process flow impacting some agent banking transactions. The incident had no adverse impact on customer transactions or balances and enhanced operational safeguards were introduced to the agency banking services to prevent future recurrences.

In liaison with law enforcement agencies, the bank undertook measures to recover from the implicated agents who sought to benefit from the error by retaining funds that should have been remitted to the bank.

Currently, the bank has a network of over 3500 agents who account for nearly 40% of the bank's total transactions. The model has proven to be beneficial in many ways including deepening financial inclusion, providing business opportunities to qualifying Ugandans, creating jobs, taking banking services closer to customers while reducing the reliance on the limited number of branches for basic financial services.

In response to the significance and rapid growth of agent banking, the bank has consciously employed a continuous improvement approach to the operational aspects of this channel.

The risk and conduct agenda remained a top priority during the year and we remain resolute in our commitment to addressing any vulnerabilities that led to operational risk events during the year and driving a culture that exhibits the highest level of ethical conduct and integrity

Digital transformation remained at the heart of key strategic initiatives designed to meet the continuously evolving client needs and preferences. The adoption of digital innovation has provided considerable benefit to SUHL and its clients while at the same time exacerbated existing risks. We have invested significant time to ensuring that our risk management capabilities are in lockstep with the innovation strategies. This includes digitizing key risk processes and deploying risk tools to provide data designed to anticipate and respond timely to risks.

SUHL continued to rely on third parties to perform critical services needed to offer products and services to our clients. We enhanced the third-party risk management framework and tools to adequately assess the risk posed by the different third parties commensurate to the criticality of the service being consumed.

Risk Governance and Oversight

Risk Governance is an integral part of the overall corporate governance framework. Our governance structures are informed by Ugandan and South African regulatory regimes and the Standard Group enterprise-wide risk management framework. Our risk governance framework is key to the identification, measurement, monitoring and controlling of risks. The framework provides a basis for the board and senior management to establish the appropriate guiderails so that risk creating activities are performed with the right mindset and are within risk appetite that's aligned to the broader strategic objectives.

All employees are responsible for the management of risk, with the ultimate responsibility residing with the Board. We

SUHL demonstrated resilience and was adequately capitalised in the face of considerable stress attributable to the economic impact of Covid 19 response measures and presidential and parliamentary elections.

We are actively monitoring the war in Ukraine including cyber-security threats, food inflation and sanctions compliance to ensure our risk mitigation strategies can withstand any adverse conditions. We remain vigilant against these risks and are constantly assessing the effectiveness of our response measures.

have a strong risk culture which is embedded through clear and consistent communication and appropriate training for employees. Our risk management function is independent of the core business, including the product design, sales, and trading functions and provides credible challenge, appropriate oversight, and balance in risk/reward decisions.

SUHL's approach to risk management is based on set governance frameworks, standards and processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting.

Board of Directors

The Board of Directors plays a pivotal role in ensuring that SUHL has an effective risk management system. This mandate includes evaluating key risk areas and ensuring the process for risk management and systems of internal control are implemented. The Board has delegated its risk-related responsibilities primarily to the following committees: The Board Risk Management Committee (BRMC), Board Audit Committee (BAC) Board Asset and Liability Committee (BALCO) and Board Credit Committee (BCC) with each committee focusing on different aspects of risk management.

Board Risk Management Committee, Board Credit Committee and Board Asset and Liability Committee.

These committees provide independent oversight of operational, compliance, information technology, legal, funding, and capital risks. The committees are responsible for setting the overall direction on risk related matters including approving the risk appetite statement, risk management governance standards, risk management frameworks, and risk management policies. The committees also escalate material matters that adversely impact SUHL's risk posture to the Board.

Board Audit Committee

The BAC reviews SUHL's financial statements and makes recommendations to the Board on matters related to the integrity of financial reporting and the effectiveness of controls designed to protect assets.

Internal Audit

Internal Audit is mandated by the BAC 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.

Management Committees

Executive Management is responsible for the daily oversight of all principal risks impacting SUHL and have delegated authority from either the BRMC, BCC, BALCO, or BAC to assist the subcommittees effectively fulfill their risk oversight mandates. The Risk Management Committee (RMC), Asset and Liability Committee (ALCO) and Credit Risk Management Committee (CRMC) are management committees responsible for risk management within the bank.

The ALCO is responsible for the ongoing assessment of the demand for capital and the updating of the bank's capital and liquidity plan. The capital and liquidity plans take into account the following:

1. Current regulatory capital and liquidity requirements and our assessment of future standards.
2. Demand for capital and liquidity due to business growth forecasts, loan impairment outlook and market shocks.
3. Available supply of capital and liquidity, and the funding options.

The ALCO formulates a capital and liquidity plan with the help of internal models and other quantitative techniques.

The bank uses a model to assess the capital and liquidity demand for material risks and supports this with our internal capital adequacy assessment process (ICAAP). Other internal models help to estimate potential future losses arising from credit, market, and other risks, and, using regulatory formulae, the amount of capital required to cushion the impact of the losses.

In addition, the models enable SUHL to gain an enhanced understanding of its risk profile, for example, by identifying potential concentrations and assessing the impact of portfolio management actions. Stress testing and scenario analysis are an integral part of capital planning and are used to ensure that ICAAP considers the impact of extreme but plausible scenarios on its risk profile and capital position. It provides insight into the potential impact of significant adverse events and how these could be mitigated through appropriate management actions. The capital modelling process is a key part of our management discipline. A strong governance and process framework is embedded in our capital planning and assessment methodology.

Business Units

Business units own and manage the principal risks inherent in the activities they perform and are also responsible for deploying the appropriate controls to ensure risks are within acceptable tolerances

Governance Documents

These documents set out the requirements for identification, assessment, measurement, monitoring, management and reporting of risks for effective oversight of compliance and effective management of capital. Governance policies are approved by the relevant Board Committee.

Three lines of defence

1. First line of defence

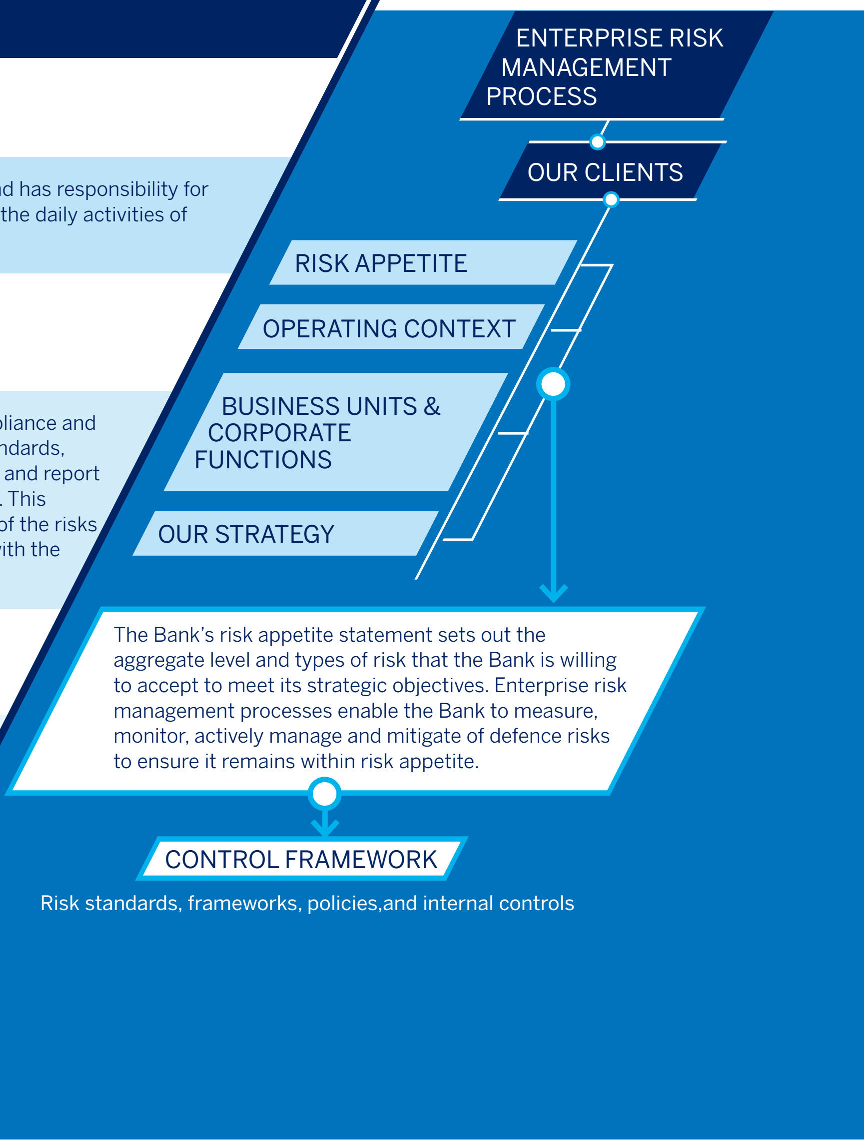
This is made up of business units that create risk and has responsibility for identifying, assessing, and controlling risks through the daily activities of the business within the governance framework.

2. Second line of defence

This includes finance, risk management, legal, compliance and governance. These units implement governance standards, frameworks, and policies for each material risk type and report to management and Board governance committees. This function also provides an independent assessment of the risks created by the front line and oversees compliance with the defined risk appetite.

3. Third line of defence

Internal audit promotes assurance on the adequacy and effectiveness of the risk management programme.



Risk types in Banking activities

RISK UNIVERSE

The principal risks impacting SUHL are continuously assessed to ascertain whether appropriate mitigants are in place to ensure the residual exposures are within appetite.

STRATEGIC RISK

The risk to current or projected financial condition and resilience arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the industry and operating environment

CREDIT RISK

The risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk, concentration risk and country risk.

NON-FINANCIAL RISK

The risk of loss incurred as a result of the inadequacy of, or failure in, internal processes, people and/or systems or from external events.

FUNDING AND LIQUIDITY RISK

The risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

COMPLIANCE RISK

The risk of legal or regulatory sanction, financial loss or damage to reputation that SUHL may suffer as a result of its failure to comply with laws, regulations, codes of conduct, internal policies, and standards of good practice applicable to its financial activities.

ESG RISK

The risk to SUHL's ability to achieve its strategy arising from direct and indirect impacts on the environment, society, and governance.

COUNTRY RISK

Also referred to as cross-border country risk is the uncertainty that obligors (including the relevant sovereign) will be able to fulfil obligations due to SUHL given political or economic conditions in the host country.

LEGAL RISK

The risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law and regulation apply to SUHL's business, its relationships, processes, products, and services

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, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations, and implied volatilities in all of these variables.

INSURANCE RISK

The risk that actual future underwriting, policyholder behaviour and expense experience will differ from that assumed in measuring policyholder contract values and in pricing products. Insurance risk arises due to uncertainty regarding the timing and amount of future cash flows from insurance contracts.

REPUTATIONAL RISK

The risk of potential or actual damage to the SUHL's image which may impair the profitability and/or sustainability of its business.

CREDIT RISK

YEAR IN BRIEF 2021

The impact of Covid-19 and the associated lockdown measures to contain the spread of the pandemic resulted into challenges across the economy. Although there was gradual easing of lockdown measures as the year progressed, the global and domestic supply chain disruptions led to a contraction in economic activity and a steady decline in consumer demand. This was particularly pronounced in real estate, hospitality and the public sector (in particular schools).

The manufacturing and service sectors registered below average growth rates of only 2.1% and 2.5% while the agricultural sector grew by 3.5%, which was below the 4.8% growth rate registered in the previous year. Consequently, gross domestic product increased marginally to 3.3% from 3.0% registered in FY 2019/20.

As the effects of the lockdown continued to reverberate in the economy, the Bank continued to extend credit relief to qualifying customers to mitigate adverse effects of the pandemic on customers. The Bank deepened interventions to transform client experience and drive sustainable growth. There are active programs to support agriculture, SACCOs, traders, manufacturing and the education and health sectors.

Gross loans were up slightly by 2.7% year-on-year given the improvement in economic conditions during the year. The credit loss ratio closed at 1.8% down from 2.6% reported in December 2020. Credit provisions were down year-on-year off pickup in business activity and a prudent approach taken at the start of the pandemic. From an industry perspective, asset quality of the commercial banking sector improved over the year and it should be noted that BoU credit relief measures have moderated potential deterioration in asset quality.

FOCUS AREAS FOR 2022

With the full opening of the economy in January 2022 and the subsequent announcement of the Final Investment Decision, the outlook remains cautiously optimistic given the nascent nature of oil and gas and sector specific risks, regional political risks plus the secondary risks from Covid-19.

The outlook is that a start of activities leading to domestic oil production, the construction of flagship oil projects and associated supporting infrastructure (such as roads and other public utility facilities) will generate strong sectoral growth. Inward investment and construction are set to receive a significant boost in 2022-25 from the development of the Kingfisher and Tilenga oil projects and the East African Crude Oil Pipeline.

Alongside these developments, the industry will also benefit from other ongoing and planned multi-year construction activities in energy and transport, as well as expansion in agro and gold-processing. Furthermore, full reopening of the economy is accelerating activity in Households, Manufacturing, Construction, Trade, Agriculture and Transport.

The Bank has also commenced initiatives to support women and youth in line with the demographic structure of Uganda. The Bank is also actively driving the digitization agenda to ensure that services are convenient, inclusive and affordable.

The spike in global geopolitical tensions and supply chain disruptions to commodities like oil and wheat are likely to hinder the stability and growth of the economy. Although inflation has been on an upward trend, it nevertheless remains below the Bank of Uganda target of 5% partly because the spike in prices of some commodities carry a relatively smaller share of household budgets. In addition, the strong shilling exchange rate helped to dampen price pressures.

COUNTRY RISK

YEAR IN BRIEF 2021

The macro environment remained relatively stable through the year despite the shocks caused by Covid-19 and the related lockdown measures. The financial system largely coped well to the pandemic, backed by an accommodative Bank of Uganda (BOU) monetary policy stance, Covid-19 policy support measures, and the Liquidity Assistance Program (CLAP) towards Supervised Financial Institutions. The Liquidity Assistance Program remained available to ensure viability of solvent Supervised Financial Institutions that could come under liquidity stress during the pandemic.

FOCUS AREAS FOR 2022

The economy continues to recover from the Covid-19 related downturn. With the full reopening of the economy, economic activity is expected to pick up through 2022, especially for sectors hard hit by the pandemic such as education, real estate and hospitality. Economic activity is expected to be sustained by an acceleration in private consumption, a gradual return of tourism, and foreign and domestic private investment in the oil sector following the Final Investment Decision (FID).

FUNDING AND LIQUIDITY RISK

YEAR IN BRIEF

Sufficient liquidity was maintained to fund business requirements within regulatory and internal appetite limits.

FOCUS AREAS FOR 2022

Dynamic forecasting of funding and liquidity requirements considering the evolving macro and micro economic landscape to ensure liquidity risk remains well managed.

Continued balance sheet optimization to ensure the right tenures in the right amount, in the right currency at the right cost to support the bank's strategy.

Leverage data science expertise to support a more efficient liquidity risk management.

INSURANCE RISK

YEAR IN BRIEF 2021

SUHL judiciously utilized an array of relevant insurance policies to hedge and transfer risk in accordance with prudent risk management practice. The benefit of the Group Insurance Program proved invaluable in securing covers for risks such as Cyber-crime which are becoming an increasing cause for concern in the current operating environment. Our premiums remained relatively flat on a year-to-year comparison with benefits being realized from the improved loss experience on our portfolio. Management continues to play a leading role in complementing the various insurance covers by ensuring a robust internal control environment. The bulk of the Covid-19 impact was felt during the year and much benefit was derived from our various staff policies in the form of group personal accident, staff medical cover and group funeral cover. Our insurance programme played a key role in providing relief and respite from the pandemic for those affected as well as impacted members of staff.

FOCUS AREAS FOR 2022

In the year 2022 the focus areas include inter alia – ensuring that our insurance programme keeps abreast of a constantly evolving risk landscape. For example, the increasing usage of alternate channels to the traditional branch network means the risk is also diversifying into these emerging channels and our programme must take this into account. We will also focus on gleaning learnings from risk events that occurred in the past to not only ensure adequate cover is in place going forward but also inform management action in ensuring a robust internal control environment. Insurance risk mitigation will also be incorporated in our new product approval processes and existing products and services will be reviewed for adequacy of the insurance cover attached or existence of the cover where none was obtained previously.

MARKET RISK

YEAR IN BRIEF 2021

The restrictive measures undertaken by the Government to minimize the spread of the pandemic had a significant impact on the economy, particularly trade and services and this spilled into the financial markets resulting into high volatility in both the currency markets as well as interest rates. The Uganda shilling opened the year trading as high as 3715 against the US dollar, but gradually strengthened as confidence in the markets returned with a relatively stable election cycle. The market closed the year trading the Uganda shilling at 3550 against the US dollar.

In the interest rate environment, we saw a decrease in rates in both short- and long-term rates following a successfully stable election cycle. The large excess liquidity in the market, resulting from lower credit absorption also provided further cushion on interest rates, forcing longer duration yields lower by almost 1.50%.

FOCUS AREAS FOR 2022

The Bank will continue to focus on monitoring and managing the trading book and banking book market risk, equity risk, own equity-linked transactions, foreign currency risk and associated hedges in the context of current market volatility, including monetary policy decisions and rate changes.

COMPLIANCE RISK

As regulation becomes more complex and compliance costs grow, SUHL's focus is on making efficient regulatory compliance a competitive advantage and embedding a strong culture of compliance across the organization.

YEAR IN BRIEF 2021

The compliance framework is guided by the motto "Doing the right business, the right way", a tenet which ensures adherence to the regulatory framework and ethical conduct. In 2021, SUHL continued to experience the effects of Covid-19 but showed resilience in terms of meeting regulatory and compliance obligations. SUHL actively tracked adherence to the directives with regular updates to the Board.

The AML/CFT Trends and typologies we witnessed in 2021 remained consistent with those seen in 2020 due to the pandemic. and this called for strengthening the AML/CFT control framework including revising the Know Your Customer (KYC) requirements and upgrading the AML surveillance system to a more robust solution currently ongoing. In the second half of 2021, SUHL enhanced its monitoring and surveillance techniques with the use of data analytics and machine learning. Conduct risk also continued to be a main-stay in 2021 into 2022 as strive to continue doing the right business, the right way.

FOCUS AREAS FOR 2022

The role that our regulators play in the way we do business, especially as we transition into a platform business, will remain a major focus for 2022. We look to further strengthen our relationships with these key regulators and journey together as we transform the bank.

Strengthening the AML/CFT control framework including revising the Know Your Customer (KYC) requirements and especially upgrading the AML surveillance system to a more robust solution will be concluded in 2022. Similarly, continuously automating and digitizing our previously mundane tasks with feature prominently in 2022 as we transition into a platform business.

Above all, we serve our clients by putting them at the heart of what we do, we strive for professionalism and discipline in everything we do, and we conduct our business ethically to ensure the Bank's sustainability.

CAPITAL MANAGEMENT

Our approach to capital management is to maintain a strong capital base to support the growth of our business and to meet regulatory capital requirements at all times. Strategic business and capital plans are drawn up annually covering a three-year horizon and are approved by the Board. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained to support the SBU's strategy. SBU is prepared and holds enough capital buffers to absorb shocks arising from adverse economic downturns.

YEAR IN BRIEF 2021

The Bank manages its capital levels to support business growth, maintain depositor and creditors' confidence and create value for its shareholders strictly within regulatory requirements and risk appetite limits as approved by the board. This function is managed under oversight of the Asset and Liability Committee (ALCO).

A three-year financial forecast is used to come up with a capital plan which is tested under a range of scenarios as part of the appetite limit setting process.

Following a second lock down as a result of a spike in Covid-19 cases, SBU continued to support the clients while preserving its financial position. This was testimony to the bank's operational resilience.

FOCUS AREAS FOR 2022

There are developments in the regulatory environment such as the transition to Basel II Capital Accord including holding capital for Non-Financial risk. This will be a key influence in capital management while supporting business growth within regulatory and internal appetite limits.

NON-FINANCIAL RISK

YEAR IN BRIEF 2021

The year was characterized by a continued challenging operating environment largely driven by the continued impact of Covid-19. SUHL however weathered the pandemic related disruptions with resilience.

Nevertheless, Non-Financial risk was heightened in the period. The variety and volume of fraud presented an evolving and ever-present challenge for SUHL. As noted earlier, there was an event related to our agent banking channel that adversely impacted our Non-Financial Risk environment. Our preventative and detective controls have been enhanced to ensure there is a reasonable expectation that risks have been sufficiently mitigated within acceptable tolerances.

While IT systems were relatively stable through the year, the focus continued to be on ensuring minimal disruption to customers from outage on incidents. Improvements were made to ensure operational resilience is continually demonstrated through successful disaster recovery tests.

Major changes to the organizational architecture in readiness for the transition to the platform model were implemented in 2021 with a material number of resultant people movements. There were no significant risks that could be attributable to this indicating the changes were appropriately managed.

While new digital initiatives were rolled out as part of the transition to a platform business the need for improvements in IT change processes, reconciliation, and transaction monitoring to minimize risks and loss incidents through these channels was a major focus in the year.

The three lines of defense continued to work in concert to address risk and conduct matters and embed the desired culture that's consistent with our values.

FOCUS AREAS FOR 2022

For the year ahead, SUHL will focus on embedding the right risk culture through driving ownership and accountability for risk and control at all levels of the organization. The strengthening of the first line of control assurance capability and resource capacity will also be key throughout the year.

SUHL will also pay deliberate attention to the development of real time fraud monitoring capability to ensure enhanced safety of transaction processing especially in the digital channels. Investment in building back-end capability to support growing transactional volumes will continue. A key focus area in this regard, will be in the auto-reconciliation space for faster and more accurate matching of transactional items.

Automating the onboarding of third parties and managing the relationship life cycle will be critical as we partner with service providers to meet client needs.

Strengthening of the cyber security posture of SUHL will continue to receive attention through the requisite investment. In addition, focus will be given to the management of risks introduced by increased reliance on third parties to serve. clients

ESG RISK

YEAR IN BRIEF 2021

Effective ESG risk management plays a critical role in achieving our Social, Economic and Environmental (SEE) priorities. We recognized ESG risks as one of the material risks in 2021 and begun a comprehensive review of our governance systems and processes to ensure we're aligned with global good practice.

To support this, the Board has put in place a robust Environmental, Social and Governance (ESG) framework and structures including the appointment of Head Sustainability to ensure appropriate oversight and management of ESG risks. This framework will facilitate monitoring and tracking of both progress and impact.

Among the key highlights in 2021:

- **Approval of the Environmental and Social Policy and Standard:** We successfully put in place the Stanbic Uganda E&S policy and standard that were approved by the Board and are currently implemented across the business.
- **Embedding ESG risk management tools:** We also introdcued a new ESG risk management process by embedding a digital E&S risk assessment tool within our credit approval processes and business operations.

FOCUS AREAS FOR 2022

As part of 2022 SEE impact strategy, ESG will remain a priority focus area. The business will continue to ensure that the E&S risk management process is effectively highlighting key risks as we support our client's growth as well as how we continue to conduct business within our operations.

Another key area of focus will also include our approach to Sustainable Finance with the aim to ensure that our financing supports socioeconomic development and access to affordable energy and particularly renewable energy.

RISK APPETITE AND STRESS TESTING

RISK APPETITE AND STRESS TESTING

Risk appetite and stress testing comprise of the following key components:

1. Risk appetite is an expression of the amount or type of risk that SUHL is generally willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under both normal and a range of stress conditions. The metric is referred to as the risk appetite trigger. Risk appetite could be exceeded either as a result of an adverse economic event more severe than that envisaged under the range of stress conditions (passive), or as a result of a decision to increase the risk appetite to accommodate market, customer, or portfolio requirements.
2. Risk tolerance is the maximum amount or type of risk SBU is prepared to tolerate above risk appetite for short periods of time on the understanding that management action is taken to get back within risk appetite. The metric is referred to as the risk tolerance limit.
3. Risk capacity is the maximum amount of risk the SBU can support within its available financial resources.

Risk profile is the amount or type of risk SBU is currently exposed to (current risk profile) or will be exposed to under both expected and stressed economic conditions (forward risk profile).

Risk appetite setting and management framework.

SUHL's risk appetite governance framework provides guidance on the following:

1. The approach to setting risk appetite triggers and risk tolerance limits.
2. Responsibilities for monitoring risk profile.
3. The escalation and resolution process where breaches occur.

Executive Management is responsible for recommending the Risk Appetite Statement (RAS), which is ultimately approved by the Board.

Stress testing is a management tool and is used to assess the vulnerability of SBU's key resources, namely, profitability, capital, liquidity, and reputation, to a range of adverse events.

Stress testing provides a forward-looking assessment of risk. It assists in the proactive detection of vulnerabilities, so that mitigating actions can be assessed and implemented timely.

Tabulated below are some of the key metrics, extracted out of our Risk Appetite Statement that we were tracking against, with indication of where we closed the year against each.

Table 1

Component	Measure	Risk Appetite limit	2021
Capital	Total regulatory capital	<15.0%	21.9%
Liquidity	Loan to deposit ratio (FCY)	>75%	53.8%
Loan impairment	Non-performing loans ratio	>7.5%	4.7%
Portfolio Metrics	Liquid assets to total deposits	<25%	58.7%
	Operational losses to gross revenue	≤1.0%	2.7%

FOCUS AREAS FOR 2022

Embedding the use of stress testing results to benefit risk management and decision-making at various levels in the Bank.

Continual refinement of internal models to determine the impact of stress scenarios.

Further integration of stress testing and risk appetite with strategic planning, as well as financial planning.
Monitoring the consequences of a number of events.
Continue monitoring the set Risk Appetite Limits month on month for resolution of any breaches.

Emerging Enterprise Risks

TECHNOLOGY

The inability to manage, develop and maintain secure, agile technology assets to support strategic objectives

RISK DRIVERS

- A multi-channel digital experience means more technology to keep relevant, up-to-date and safe from fraud attacks.
- New types of devices span an extremely wide range of security requirements and have very different security postures.

MITIGANTS

Dedicated simultaneous development, security and operational teams focus on speeding up implementation of projects and changes.

Continual testing of technology and applications to identify and rectify potential weaknesses that can be exploited.

CYBER

The risk of financial loss, disruption or damage to reputation from breaches or attacks on transaction sites, systems or networks

RISK DRIVERS

- Remote presence technologies may increase the avenues for attack.
- Increasing number and sophistication of cybercrime incidents globally.

MITIGANTS

Use of adaptive cyber security which uses a combination of artificial intelligence and other methods to dynamically shift tactics and detect and remove threats as quickly as possible.

Multi-factor authentication integrated into all critical payment applications and end-user devices.

The 24/7 cyber security operation centres are enabled with improved monitoring capabilities for evolving cyber vulnerabilities and attacks.

REGULATORY IMPACT

The risk of reputational and financial losses due to the inability to comply with or keep abreast of regulatory requirements

RISK DRIVERS

- Changing regulatory and supervisory requirements often come at a high cost and are human resource intensive.
- Public interest, social drivers and consumerism may initiate legislative change, requiring appropriate response strategies.

MITIGANTS

Ongoing engagement with government and regulators to support evidence-based policymaking and dialogue between public and private sectors.

Monitoring of international developments, learnings and benchmarks to identify future supervisory focus areas.

FRAUD

The risk of regulatory sanction and reputational and financial losses due to fraud, crime and misconduct from staff or syndicates

RISK DRIVERS

- Increasingly advanced cyber and malware attacks are expected, which may result in fraud being perpetrated.
- Aggressive advancements in technology may cause unforeseeable fraud threats.

MITIGANTS

Enhanced digital detection capability covering people, processes and technology.

Development of predictive fraud detection and prevention capabilities using agile methodologies.

INFORMATION

The risk of regulatory sanction and reputational and financial losses due to fraud, crime and misconduct from staff or syndicates

RISK DRIVERS

- Inadvertent or intentional disclosure of protected information by Bank personnel.
- Compromise of systems used to store privileged data.

MITIGANTS

- Ongoing awareness encourages a consistent information protection culture.
- Ongoing research and threat intelligence to stay abreast of developments and to ensure the protection of information assets.

PEOPLE

The risk of failure of the workforce to adequately and efficiently serve clients, support operations and deliver business strategy.

RISK DRIVERS

- Personnel not having requisite skills to execute and provide service offerings.
- A rise in digitisation and automation will deliver efficiencies and reduce demand for certain skillsets.

MITIGANTS

- A range of learning and development Solutions for future skills to ensure the employees remain relevant in the changing work environment.
- Revamp the risk culture of the bank
- Recognition programmes that support a culture where success is celebrated, and employees feel valued.

BUSINESS RESILIENCE

The risk of infrastructure/ change failure or environmental impacts disrupting the services to and from the group.

RISK DRIVERS

- Failure to perform adequate due diligence and ongoing monitoring of third-party relationships
- Lack of a written contract that outlines the rights and responsibilities of all parties.

MITIGANTS

- Proper due diligence in selecting a
- third party and ongoing monitoring of their activities and performance.
- Written contracts that outline the rights and responsibilities of all parties.

CONDUCT

The risk of harm being caused to the bank, it's clients and and markets due to inappropriate excecution of business activities.

RISK DRIVERS

- Cultural misalignment due to inappropriate ethics, behaviours and values being applied that result in poor business practices.
- External or internal pressures on staff to perform during challenging times.

MITIGANTS

- By driving a culture of doing the right business the right way, the Bank will continue to embed the desired values, ethics and behaviours.
- Continuing to refine the approach to training through the rollout of more interactive and digital methods of training
- Develop and implement the conduct Risk Framework / risk culture Journey
- Embedding and monitoring conduct-related metrics in business units and corporate functions across the Bank.

ESG

The inability to achieve our strategy arising from our direct and indirect impact on the environment, society, and governance.

RISK DRIVERS

- A lack of dedicated resources to lead the management of ESG risks combined with limited client data sources limits our ability to demonstrate our commitment to sustainable financing. This may increase the cost or limit the availability of capital in international markets

MITIGANTS

- The ESG policy and standard have been put in place and were signed off by the Board. The policy and standard are being implemented within the business with clear oversight and accountability from the sustainability unit.
- We introduced the digital E&S risk assessment tool that ensures all clients are assessed for any ESG risk prior to deal closure and financing. The E&S assessment are mandatory and has been embedded as part of the credit approval process

SUSTAINABILITY REPORT

Sustainability of our Organisation

Cathy Adengo
Head of Sustainability

Sustainability remains at the core of how we do business. By delivering on our Social, Economic and Environment (SEE) strategy, we are committed to creating a sustainable path that benefits both current and future generations.

Through our efforts to drive sustainable and inclusive economic growth, our activities continue to support the growth of Ugandan businesses, spur job creation and encourage clients to save and invest for future wealth generation.

We also partner with the government and the private sector to enable critical infrastructure development and support the growth of critical sectors like education, health, agriculture and trade. We are also enhancing our support to environmental conservation and social development to help make life better for Ugandans and support the realisation of shared societal goals.

In 2021, the business took the significant step to establish a Sustainability Unit with the aim to focus on the development of the long term Social, Economic and Environment (SEE) impact Framework and the implementation of the ESG risk strategy. As a result, we are firmly embedding considerations of social, economic and environmental (SEE) impacts into our business strategy and decision-making processes.

Our 2021 sustainability report highlights our major interventions in line with our commitment to our Social, Economic and Environment **(SEE)** and Environment, Social and Governance **(ESG)** priorities.

Social Impact

Stanbic plays a key role in supporting the country's national development agenda and through its sustainability strategy contributes to the realization of key Sustainable Development Goals (SDGs) in critical areas of the economy.

Through our **Corporate Social Investments (CSI),** we remain committed to transforming the lives of people in our communities through our focus on promoting access to quality education, improved health care with specific interventions in Maternal Health and enhancing our support to Covid-19 interventions.

In 2021, Our CSI initiatives directly benefited **331,684 Ugandans and 905 local small businesses** with indirect impact reaching over a one million people supported by a total of Ushs 3.5 billion which we invested in the community through the Bank and our business incubator enterprise capacity building trainings. Our priority in 2021 responded to the community needs brought about by the Covid-19 Pandemic, while staying within the three pillars that drive our CSI—Education, Health and Environmental conservation encompassed in our SEE strategy. Despite the challenges of the pandemic over the last two years, our flagship CSI programme, the Stanbic National Schools Championship exhibited resilience, giving students and schools access to knowledge and education in 24 months of minimal activity.

Sustainability remains at the core of how we do business. By delivering on our Social, Economic and Environment (SEE) strategy, we are committed to creating a sustainable path that benefits both current and future generations.

With a budget of over **Ushs1.2 billion, the programme reached 100 schools, 400 teachers and 60,000 students.**

We have seen the number of school participation increase every year, from 36 in 2016 to 100 last year and so has the impact and reach, with the number of students skilled increasing from 96 to 2, 300 this year.

Economic impact

Stanbic Uganda continued to play a critical role in driving economic recovery in 2021._ In a year that saw the economy slow down significantly due to effects of the Covid-19 pandemic, we_played our role by making credit available to critical drivers of growth hence supporting businesses create new employment opportunities and keep Ugandans in their jobs.

We extended credit to sectors that have the highest value contribution to economic growth. For instance, we lent **Ushs 290 billion to the trade sector**, which is the second highest employer in Uganda, Ushs 225 billion in household lending, Ushs 223 billion to building and construction, Ushs 218 billion to manufacturing, **Ushs 150 billion to agriculture**–the highest employer in Uganda with agricultural SACCOs being a top factor, and UShs 122 billion lent to the transport and communication.

In total, our loans and advances increased from UShs 3.6 trillion to **UShs 3.7 trillion**, providing the much needed financial support for clients to sustain their businesses and for individual to meet their day-to-day needs.

Through our efforts to drive sustainable and inclusive economic growth, our activities continue to support the growth of Ugandan businesses, spur job creation and encourage clients to save and invest for future wealth generation.

Environmental Impact

In line with our sustainability priorities, Stanbic Uganda continues to drive the environmental conservation programmes through ensuring use of adequate infrastructure, tools and methods for environmental sustainability.

As part of our drive to manage our direct impacts, our electricity consumption reduced by 4% in 2021 and this is attributed to various initiatives undertaken to reduce our total energy consumption. Our fuel consumption also reduced by 6.3% in 2021, largely attributed to the Logistical team's sensitisation to the network on efficient usage. Paper consumption also reduced by 17% as we deployed our paperless and digital agenda.

Through our CSI environmental initiatives, we planted at least 150, 000 trees in a bid to redevelop Uganda's receding forest cover under the ROOT(Running Out Of Trees) campaign in partnership with National Environment Management Authority (NEMA) and various private sector players. We also launched a plastics recycling awareness campaign themed "Taasa Obutonde" (Save the environment) campaign, which was implemented in partnership with NBS, Vivo Energy, NEMA, UBL and NBS.

Highlights

SOCIAL INVESTMENTS

UShs **3.5** Billion

Our CSI initiatives directly benefited **331,684** Ugandans and **905** local small businesses

ENVIRONMENT

150,000
trees planted

In a bid to redevelop Uganda's receding forest cover under the "Running Out Of Trees (ROOT) campaign.

SME CAPACITY BUILDING

1,967
Entrepreneurs

Total number of entrepreneurs trained at the Stanbic Business Incubator to date.

About this report

The 2021 Stanbic Uganda Holdings Limited (SUHL) Sustainability Report presents a comprehensive analysis of our sustainability performance for the year ended 31 December 2021. This report provides information on how we manage environmental, social and governance (ESG) risks, and how we are embedding a culture of responsible banking in SUHL. It includes an overview of our SEE framework, our material issues and information about how we embed a strong ethical culture and appropriate conduct.

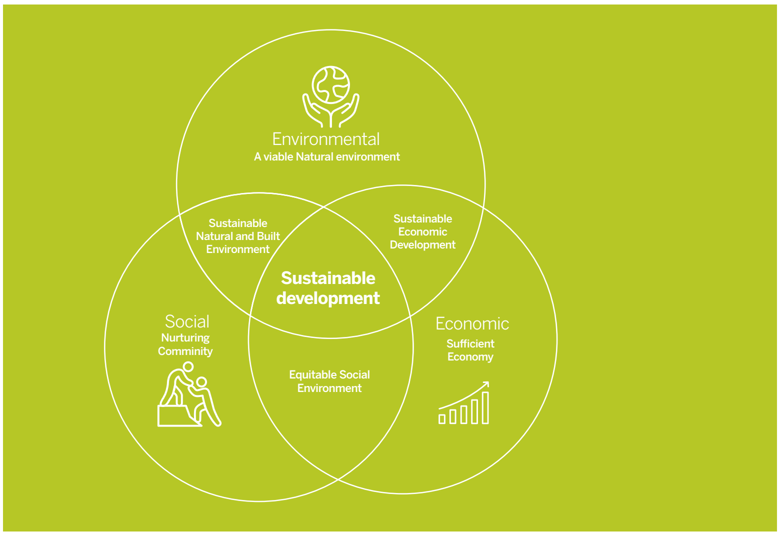
The report has been developed to provide a holistic view of our sustainability performance to a broad base of stakeholders, specifically those with whom we have direct relationships and regularly communicate, including our shareholders, clients, employees, government and regulatory authorities, industry bodies and service providers. Furthermore, other stakeholders also include those who may be impacted by our business activities as such communities we operate in, business associations, civil society groups as well as our natural environment, community development and non-governmental organisations.

Sustainability Performance

The sustainability Performance Indicators focus attention on the impact that SUHL has on the communities in which we operate and discloses how the risks that may arise from interactions with our stakeholders and other institutions, are managed and mediated.

We recognise that we have a diverse set of stakeholders with different information needs. We seek to balance these needs with our regulatory requirements by preparing several reports. Our annual integrated report, our primary report for our shareholders, provides a holistic assessment of how our strategy, governance, performance and prospects create value over time.

This report, our report to society, is for a broader set of stakeholders. It aims to communicate, in a concise and accessible way, how we create shared value for you. Our focus is on the material issues that affect you, our stakeholders, and our ability to deliver on our purpose **– Uganda is our home, we drive her growth.**



Scope and boundary

This report covers SUHL's operations in Uganda and the terms we use describe the geographic regions in which we operate across Uganda. The report focuses on the most material aspects of our business in relation to our strategy. We consider an issue to be material if it is likely to impact our ability to achieve our strategy, and to remain commercially sustainable and socially relevant. In particular, material issues are those that have a strong bearing on our stakeholders' assessments of the extent to which we fulfil their needs over the long term. We also consider the factors that affect the economic growth and social stability of the communities in which we do business. The material issues identified in 2021 have been reaffirmed as being the most relevant to SUHL for the period ending 2021. These issues are detailed in the reporting practices section.

The report has been developed to provide a holistic view of our sustainability performance to a broad base of stakeholders, specifically those with whom we have direct relationships and regularly communicate, including our s**hareholders, clients, employees, government and regulatory authorities, industry bodies** and **service providers**

Sustainability approach

Given our purpose of driving Uganda's growth and that our strategy focuses on sectors rated as high ESG risk, best practice ESG risk management is the foundation for delivering SEE impact. ESG performance is one of our metrics for measuring our SEE impact.

SEE

We aim to **maximise positive social, economic and environmental (SEE) impacts** of our business activities and minimise negative impact

Our **adoption of SEE as a strategic value driver** reflects the commercial opportunity to grow earnings and market share by providing products and services that meet the development needs of Africa and Africa's people

Our SEE commitments align with the **UN Principles for Responsible Banking (PRB), Paris Agreement, UN Sustainable Development Goals (SDGs), South Africa NDP, Agenda 2063, Nationally Determined Contributions** in our countries of operation

SUSTAINABLE DEVELOPMENT GOALS

- An expression of our values
- Informs our code of ethics and conduct
- Supports responsible corporate citizenship
- Creates shared value for the group and society
- Enables diverse stakeholders to hold us to account

ESG

We have **robust governance frameworks and controls in place** to manage the environmental, social and governance risks associated with our business

We **recognise effective ESG risk management** as a competitive and strategic differentiator

ESG risk management helps us to **minimise and mitigate potential negative impacts** to society and the environment arising from our operations, who we do business with and what we finance

Our ESG risk management is informed by regulatory requirements in our countries of operation, and voluntary frameworks such as the **UN Guiding Principles on Business and Human Rights**, and **global standards governing environmental and social (E&S) risk management** including the IFC Performance Standards and Equator Principles (EP).

MAXIMISE POSITIVE IMPACT

EFFECTIVE GOVERNANCE AND RISK MANAGEMENT

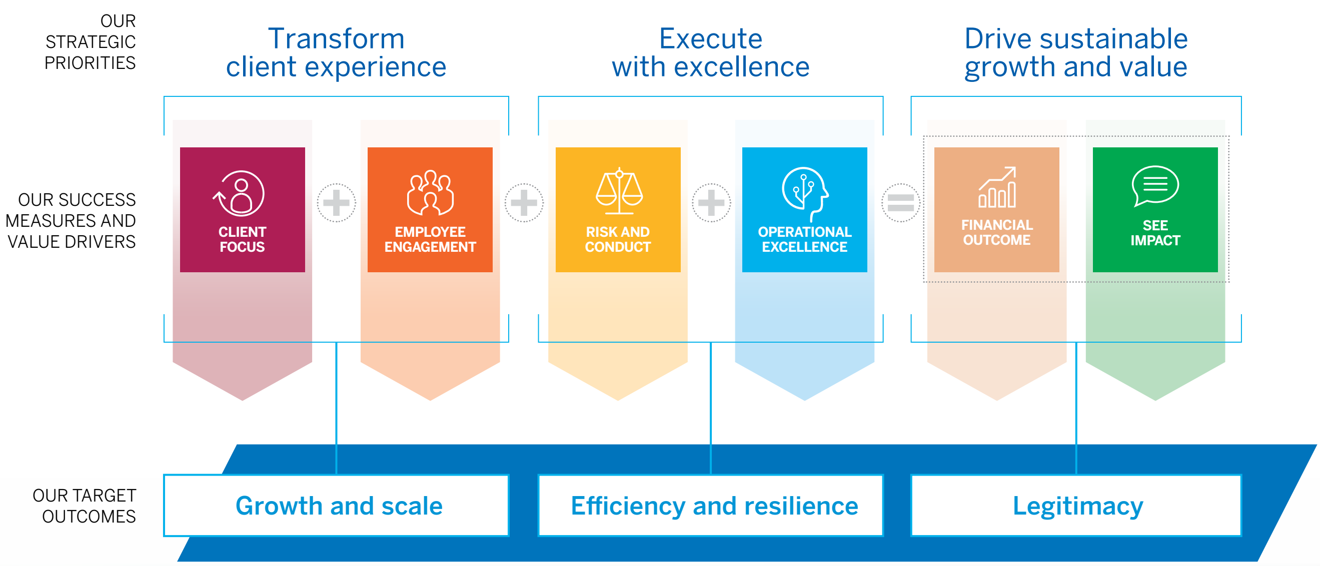
Frameworks applied

Various benchmarks and international frameworks inform our reporting. The issues raised by our internal and external stakeholders in our day-to-day interactions are also considered. We report in reference to the Global Reporting Initiatives (GRI) guidelines supported by the G4 Financial Services Sector Supplement.

Our ability to create value depends on our use and impact on certain resources and relationships (capitals). We apply the capitals model, adopted by the International Integrated Reporting Council in the International (IR) Framework, in managing and accessing our ability to create value over time and our sustainability performance. The following six capitals are fundamental to the long-term viability of our business: natural, social, human, intellectual, manufactured (or manmade) and financial. The capitals are considered in commentary in this report.

Our Social, Economic and Environmental (SEE) Impact

We create value by living our purpose and achieving our vision through the diligent execution of our strategy. Our strategic value drivers measure our strategic progress, allowing us to focus on the value we aspire to create for all our stakeholders.



We understand shared value quite simply: In order for us to continue as a successful and sustainable business we must measure value beyond financial outcomes. We determined that our progress on our strategy is measured with strategic value drivers.

ESG Management

In 2021, the business took the significant step to establish a Sustainability Unit with the aim to focus on the development of the business Social, Economic and Environment (SEE) impact Framework and the implementation of the ESG risk framework.

Effective ESG risk management plays a critical role in this. We recognised ESG risk as one of the material risks in 2021 and began a comprehensive review of our governance systems and processes to ensure we're aligned with global good practice.

E&S Policy and Standard

To achieve the effective management of ESG risk, we put the Environmental and Social risk management policy and standard that were approved by the Board of Directors. These key strategic frameworks have enabled the business to implement the necessary ESG processes that help address and mitigate any potential risks arising from our direct operations of indirect activities with our clients.

Introduced the digital E&S risk assesment tool.

We also introdcued a new ESG risk management process by embedding a digital E&S risk assessment tool within our credit approval processes and business operations. The tool provides an assesment of the level risk arising from potential clients we finance and this provides guidance on our approach to financing with the aim to ensure E&S risks are minimised as well promote more green and sustainable businesses that we shall partner with.

How we create value

The success of our customers and clients, and the trust and support of all our stakeholders, underpin our commercial sustainability. This interdependence requires that we conduct our business ethically and responsibly to create value in the long-term interest of society. We intermediate between providers of capital and employers of capital, providing the former with competitive returns on their investments, and the latter with access to the liquidity and capital they need to realize their objectives. These functions of our core business can in no way be separated from our developing social and environmental context. We believe that a community-minded worldview is integral to our legitimacy and represents a consistent and considered level of integrated thinking, which in effect corresponds to the capitals model of value creation.

The key strategic frameworks have enabled the business to implement the necessary ESG processes that help address and mitigate any potential risks arising from our direct operations of indirect activities with our clients.

Environmental

Social

Governance

OUR SUSTAINABILITY IMPACT

Contribution and payments into the economy and stakeholders

As the largest financial institution in the market, we continue to honour our commitment to driving Uganda's growth. Through our financing activities, we support financial inclusion and promote the growth of critical sectors of the economy in line with Government's national development plan. Below, the numbers highlighted demonstrated our social, economic and environment impact in all areas that touch and influence our clients, government, shareholders, employees and communities:

1 Value Added Statement

Value added statement for year ended 31st December 2021	2021 Ushs '000	% of wealth created	2020 Ushs '000	% of wealth created	2019 Ushs '000	% of wealth created
Value added						
Interest Income	**543,994,626**	**99%**	536,233,586	105%	484,410,301	90%
Commission fee income	**164,759,392**	**30%**	157,281,369	31%	160,970,448	30%
Other revenues	**240,696,978**	**44%**	183,316,638	36%	197,196,438	37%
Interest paid to depositors	**(45,968,548)**	**-8%**	(45,441,437)	-9%	(35,469,336)	-7%
Other operating expenses & impairments	**(354,086,987)**	**-64%**	(320,985,403)	-63%	(270,886,094)	-51%
Wealth Created	**549,395,461**	**100%**	510,404,753	100%	536,221,757	100%
Distribution of wealth						
Employees	**178,547,838**	**32%**	169,512,134	33%	164,999,991	31%
Government	**100,195,692**	**18%**	96,227,594	19%	109,149,008	20%
Ordinary shareholders - (Dividends)	**40,000,000**	**7%**	76,000,000	15%	88,000,000	16%
Non Controlling Interests	**10,000,000**	**2%**	19,000,000	4%	22,000,000	4%
Corporate Social Investment (CSI) spend	**3,507,765**	**-0.4%**	3,914,938	1%	2,978,700	1%
Retentions to support future business growth	**219,312,092**	**40%**	146,686,325	29%	149,094,058	28%
Wealth Distributed	**549,395,461**	**100%**	510,404,753	100%	536,221,757	100%

Through our financing activities, we support financial inclusion and promote the growth of critical sectors of the economy in line with Government's national development plan.

2 Loan Disbursement per Category

	2021 Ushs	2020 Ushs	2019 Ushs	2018 Ushs
Corporate and Investment Banking	**1,613,128,094,465**	2,041,784,969,158	1,027,545,014,699	767,628,910,828
Business banking	**1,111,788,553,466**	1,014,893,707,726	708,026,337,164	583,324,858,133
Personal banking	**249,785,268,020**	154,007,448,965	318,327,253,263	320,949,148,169
Total	**2,974,701,915,951**	3,210,686,125,849	2,053,898,605,126	1,671,902,917,130

3 Financial Intermediation by Sector and Focus Factions

Loan Balances per Sector **Economic Sector**	**2021** **UShs '000**	2020 UShs '000	2019 UShs '000	2018 UShs '000
Agriculture, Fishing & Forestry	**467,077,303**	484,530,596	518,095,700	393,327,313
Mining and Quarrying	**3,528**	201,152	339,301	373,398
Manufacturing	**434,937,299**	345,510,386	403,857,150	266,660,578
Trade	**482,955,167**	504,355,116	486,217,126	457,707,118
Transport and Communication	**301,297,043**	285,968,005	199,229,277	297,265,960
Electricity and Water	**125,581,718**	127,378,090	110,114,662	80,255,963
Building, Mortgage, Construction and Real Estate	**506,712,319**	445,350,107	399,542,064	376,641,507
Business Services	**81,192,158**	62,197,173	41,203,844	28,025,803
Community, Social & Other Services	**561,986,036**	733,599,019	74,462,504	70,816,944
Personal Loans and Household Loans	**962,523,742**	809,109,664	722,286,154	641,549,831
Total*	**3,924,266,315**	3,798,199,308	2,955,347,782	2,612,624,415

4 Financial Enablement for Our Employees

	2021		2020		2019		2018	
	No. of Staff	**UShs**	No.of-Staff	UShs	No.of-Staff	UShs	No.of-Staff	UShs
Staff Home Loans	**35**	**8,872,554,218**	9	952,005,645	61	7,829,785,410	62	8,825,493,929
Staff Personal Loans	**1025**	**18,806,910,954**	768	10,527,719,517	1,837	18,492,746,234	1,480	16,273,176,224
Total	**1060**	**27,679,465,172**	777	11,479,725,162	1,898	26,322,531,644	1,542	25,098,670,153

Creating Meaningful Impact – Sustainable Economic Growth

Overview - Economic Contribution

By delivering on our sustainability priorities, we create a meaningful impact in our communities and stakeholders we serve. We remain pivotal to facilitating Uganda's economic growth and SUHL through Stanbic Bank, lends to a wide range of growth sectors ranging from primary growth sectors including, Agriculture, Infrastructure, Trade, Health Care, Education and much more.

With over 1,600 staff members, we continue to provide employment opportunities for Ugandans. This directly enables on our contribution to improve the standards of living of several citizens as well as contributing to the growth of a middle class within the country which is a key ingredient for sustainable economic development.

Our aim is to ensure that through deepening financial inclusion, more Ugandan's and Ugandan businesses will have access to financial services to meet their needs and growth requirements. We therefore provide a wide range of financial products and services with the aim to reach the last mile in order to support every Ugandan.

We continue to pioneer innovation in digital financial solutions to ease access to financial services for all our customers. In 2021, a range of new solutions including: FlexiPay, Banassurance, Cash Advance loans and many more have provided the necessary support for our clients to meet their financial needs.

We also provide several channels through which financial services can be accessed. These include ATMs in some of the remote areas, agent banking, several point-of-sale terminals as well as through several digital channels and Mobile banking.

With over 1,600 staff members, we continue to provide employment opportunities for Ugandans. This directly enables on our contribution to improve the standards of living of several citizens as well as contributing to the growth of a middle class within the country which is a key ingredient for sustainable economic development.

Economic transformation

Providing affordable Financing

The Economic Enterprise Restart Fund (EERF) which is a private sector led Covid-19 response to provide affordable funding for key sectors and groups that were adversely impacted the Covid-19 pandemic has celebrated 1 year in existence since its inception in November 2020. The Fund has partnered with several development partners to support the restart of the economy by providing both financial and non-financial interventions to the worst hit sectors including urban trading, tourism, transport, and export-oriented agriculture. In addition, the fund has reached out to the bottom of the pyramid which includes medium enterprises (MSMEs), savings and credit cooperatives (SACCOs) and village savings and credit associations (VSLAs) including smallholder farmer.

This intervention has seen the bank launch the SACCO value proposition in Central and Eastern Uganda and are preparing to cover the rest of the country to ensure grass root support to the vulnerable groups. The proposition seeks to enhance their productivity, provide both digital & technical support in capacity building and institutional development as well as advancing affordable financing to drive financial inclusion through the digital banking process and build economic activity sustainability that will help create employment opportunities, increase consumption, and avert poverty in the rural and peri-urban areas.

As at end of 2021, the bank had directly impacted 1,953 SACCOs/VSLAs with a total membership of 1,034,769 members, digitized 31 SACCOs from the digitization grant and extended training to 45 SACCOs in Eastern and Western Uganda.

Stanbic Bank Uganda also continued to revitalize the operations of SACCOs and VSLAs across Uganda, disbursing over UShs 19.2bn to 128 SACCOs/VSLAs and reaching over 50,000 members.

We remain committed to our mission to provide financial services to every Uganda especially the under served groups in rural areas. This will go a long way in deepening financial inclusion across the country.

The bank has also partnered with various fintech companies to digitize 15 Cooperatives at no cost.

Customer name	Branch	Digitized by	Number of days
Bundikakembe Growers Coop.society Ltd	Bundibugyo	Quest Digital	
Nabhanjingiri Cocoa Farmers Co-Op Scty	Bundibugyo	Kanzu Code	
Kilhubo Thukolerehaghuma Organic Farmers Saving And Credit Coop	Bundibugyo	Kanzu Code	
Simbya Farmers Sacco	Bundibugyo	Quest Digital	
Bwamba Cooperative Union(Cocoa)	Bundibugyo	Quest Digital	2
Kigezi Dairy Cooperative Society Limited	KabaleW	Quest Digital	
Kasese Ibanda Kyanya Sacco(Coffe)	Kasese	Ensibuuko	
Kasana Sacco	Kasese	Quest Digital	1
Kanungu Coffee Sacco	Kihihi	Ensibuuko	1
Kaboneracoffee Farmers Sacco	Masaka	Quest Digital	
Mijwala Sacco(Coffee)	Masaka	Quest Digital	
Kalangala Kizira Oil Palm Growers Sacco	Masaka	Quest Digital	
Karushonshomezi Bull Fattening Sacco	Masaka	Ensibuuko	
Kibiito Kabale Parish Banana Farmers Sacco	Mubende	Kanzu Code	
Lugushuru Dairy Sacco	Sembabule	Quest Digital	1

Enhancing access to financial services through digital innovation

Financial inclusion supports economic and human development and reduces inequality. Stanbic Bank Uganda enables individuals, entrepreneurs and small enterprises to access relevant and affordable financial products and services that will meet their needs. We aim to ensure that the services are delivered to clients with dignity, in a responsible, convenient and sustainable way.

SUHL supports the Bank of Uganda Strategy on Financial inclusion and implemented the following innovations and interventions toward improved financial inclusion:

Flexi-Pay Wallet

FlexiPay

FlexiPay Uganda - Apps on Google Play

FlexiPay is a Digital wallet solution accessible to both the banked and unbanked customers, individuals to large organizations. The solution provides access to a wide range of financial services through feature (kapiisa), smart phones and the web for the larger organizations.

Innovations like the end-to-end self-onboarding capability both on the APP and USSD (*291#) allows the customer to transact conveniently and securely, thus promoting Financial Inclusion. The App can be downloaded from the Google Play Store and the APP Store for Android IOS users respectively.

Customers can deposit and withdraw money directly from/to their Stanbic Bank account, Mobile money, and deposit cash at an Agent at no charge. More services available to customers include transfers between FlexiPay wallets, Airtime & Data purchases, payment of goods and services for Allied Health, bill Payments for Electricity, Water, Taxes, TV, School Fees, Tuition for Uganda Christian University, Merchant Payments which is enhanced with a solution to purchase tickets for events. Key to note is that all payments are FREE except Cash-out at Agent, and transfers to Mobile Money

FlexiPay Business customers can receive payments from both FlexiPay and mobile money customers, make bill payments, make payments to FlexiPay and mobile money wallets to multiple recipients at once. This has contributed to household incomes, extension of cashless services to customers achieving wider coverage and financial inclusion. To further accelerate Financial inclusions for Business customers, focus has been geared towards developing the capability to onboard unbanked Business customers. These will be able to utilize a wide range of services that FlexiPay offers.

FlexiPay customers also get rewarded when they refer others to onboard on FlexiPay. The points earned can be utilized for bills, merchant payments, Data & Airtime purchases.

The FlexiPay APP is enhanced with the capability to digitally locate the nearest Stanbic Agents, Branches and ATMs thus increasing convenience for the customers.

FlexiPay has multiple channels through which customers can rely feedback and insights. These include a 24/7 toll free helpline, an interactive Chat, Email as well as submitting feedback via USSD (*291#) and the APP.

Contactless card

Contactless Payment FAQs | HallmarkThe card solutions are designed to increase convenience for our customers as they go about banking as a lifestyle. With emphasis of creating ease and guarantee of access to service in a secure manner, the bank working with our partners spread the contactless transaction trend through the issuance of contactless cards and contactless POS. Contactless transacting allows customers to simply initiate a payment by taping their Stanbic VISA card onto a POS device.

Having equipped our customers with contactless cards from September 2020 and distribution of our new POS devices through 2021, the bank did drive awareness and reward for our customers transacting visa "Tap and Go".

The impact was positive, and we have seen a surge in Card transactions spinning into 2022 and still going.

Agent Banking Services:

At the end of 2021, the Stanbic Agent banking network had grown to over 4,800 outlets strategically located in the urban, peri urban and rural areas to provide banking services to the banked, under banked as well as the unbanked. This has given customers the much-needed convenience as the bank is within their areas of operation and also accelerated financial inclusion in rural areas catering for the unbanked and under banked.

In the year 2021, we have been deliberate to add capability to the platform for customers to enjoy full banking services. The full scope of services includes cash in and cash out services, tax payments, bill payments, school fees, Flexipay wallet top up and cash out, mobile money float purchase and liquidation among others. Looking at where we are today compared to the year 2018 when Agent banking was rolled out, there is over 400% growth in customer transactional signifying the strategic importance of this channel to the bank. This growth has translated into over 40% of the total banks transactional activity migrate to this channel.

Looking into the future, we are committed to enhancing this channel with capability that resolves what matters to the customer. A lot of work has been done to serve the youth, women in business, savings and credit co-operatives, persons of interest in refugee camps among the areas of focus.

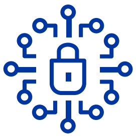
Leveraging Technology to Improve customer experience

The advancement of technology has brought about rapid changes in the way businesses and operations are being conducted in the financial industry. The delivery of exceptional digital client experience and driving the desired outcomes has never been more critical.

Some of the highlights on how we have leveraged digital technology and human insights to support customer experience include:

- Refreshed the Vehicle and Asset Financing solution to a more robust customer centric version that has greatly reduced the turnaround time due to:
  - 360^0-customer information view.
  - Automated processing of payments.
  - Simplified reconciliation of transactions.
- Improved customer interactions with the bank through activating Salesforce (Customer Engagement tool) that offers a 360-degree customer view enabling more personalized and meaningful engagements and experience.
- Borderless banking: Enabled more customers in East Africa (Tanzania and South Sudan) benefit from the regional trade opportunities through activating intra and inter account operations in real time regardless of their domicile country. Capabilities include:
  - Cash deposit and cash withdraw from any of the countries.
  - Inter-account transfer between the countries.
- Adoption of Cloud services: Commenced on a journey of leveraging the elasticity and flexibility that Cloud Computing presents to improve the customer experience across our bank digital products.
- WhatsApp Chat Bot: Enhanced customer engagement capabilities by introducing a new, automated, and convenient bank customer self-service channel through WhatsApp.
- Direct Integration: Improved reliability and availability of services to transfer funds from the bank to Mobile money and vice versa including making bill payments through integrating services directly with the respective service providers.
- Flexipay: Enabled an electronic wallet that enables under-banked, unbanked, multi-banked customers to access basic financial services on both feature (USSD) and smart phones (App) and transact at Agents, Merchants and ATMs with benefits below:
  - No requirement of bank account. The solution is bank agonist registering users on a mobile network operator.
  - Affordable financial service – Free funds transfer services within the Stanbic ecosystem, cheaper charges on bill payments and Fund Transfers from Mobile Network Operators.
  - Digitisation of services through online/self-registration, customer validation checks, Enhanced Due Diligence, Merchant onboarding process through the Field Agent App

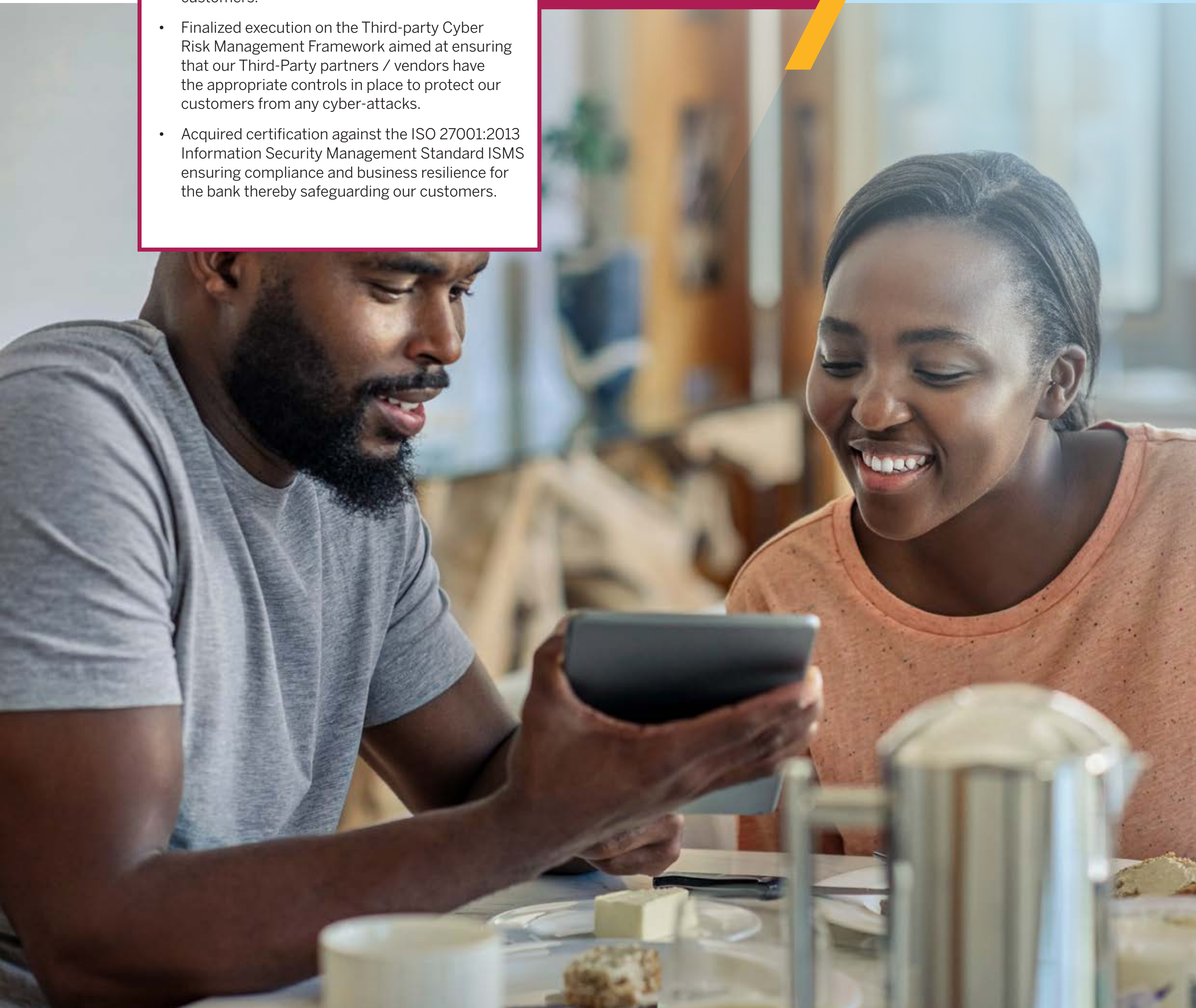
Cyber Security



As technology is both the source of future opportunities and potential disruption, the need for adequate and effective cyber security controls is imperative. To this end, the capabilities below were implemented as we strive to be both secure by design and cyber resilient.

- Successfully carried out a refreshed review of our Privileged Access Management across our critical banking systems to mitigate risk from unauthorised access.
- Enhanced protection for mobile banking customers using MTN against fraud through enabling capability to detect swapped SIM card attempts on Mobile Banking (USSD) within 72 hours of the SIM being swapped. Work is in progress to activate the capability for Airtel customers.
- Finalized execution on the Third-party Cyber Risk Management Framework aimed at ensuring that our Third-Party partners / vendors have the appropriate controls in place to protect our customers from any cyber-attacks.
- Acquired certification against the ISO 27001:2013 Information Security Management Standard ISMS ensuring compliance and business resilience for the bank thereby safeguarding our customers.

The advancement of technology has brought about rapid changes in the way businesses and operations are being conducted in the financial industry. **The delivery of exceptional digital client experience and driving the desired outcomes has never been more critical.**



SME Capacity Development

The Stanbic Business Incubator

Established on 04th February 2018, Stanbic Business Incubator Limited (SBIL), a subsidiary of Stanbic Uganda Holdings Limited (SUHL), is Uganda's leading partner in enterprise development.

Typical business incubators offer business trainings and crown the same with certificate-awarding ceremonies. However, SBIL mentors and facilitates MSMEs from a point of mere existence until they become thriving and sustainable enterprises.

SBIL's work is anchored on three core pillars: access to market, access to finance, and business operational skilling.

The programme is largely structured to provide business development training programmes and follow-up on support interventions, a learning environment through workshops and panel group discussions, networking events and access to subject matter experts, mentoring and coaching of entrepreneurs and provides avenues for accessing both markets and funds.

SBIL partners with other like-minded companies to be able to deliver on its mandate. All our partners including SBU, GIZ, NSSF, UNDP,e continued to work with us even during the COVID 19 pandemic, which indicates their confidence in the company. We are happy to mention that the French Embassy also became one of SBIL partners in 2021.

667 MSMEs and over 2,000 Individuals were reached in 2021 compared to 516 companies and 617 Individuals in 2020. Utilisation for all 4 centres across the country under 8 different programmes i.e Kampala EDP, Regional EDP, SACCOs, Youth for Business(Y4B), NISAT, Albertine, and Hi-innovator.

667 MSMEs and over 2,000 Individuals were reached in 2021

2020: 516 companies and 617 Individuals

Impact survey done Dec 2021

60% construction and fabrication, 16% Agriculture, 11% in ICT, 7% transport and logistics, 16% others.	27% **of the unbanked** SMEs have opened accounts with Stanbic.	15% **SMEs** accessing credit facilities from Stanbic Bank, 80% expressed interest.
Joint ventures had the highest impact among SMEs.	9% **increase** in Sales with a 5% Revenue growth (New bids winning).	35% **Improved Tax** compliance among SMEs.
51% **growth** in staff	33% **of staff are youth** (aged between 18-24)	46% **of companies** had expanded into markets

Business Incubator - Realised Impact 2021

1 Programme Perfomance 2021

NO	Program name	Description	Y3 Target	2020 Actual	2021 Actual
1	**Kampala EDP (GIZ & SBU)**	Capacity development for business growth (3/4 months) training program, followed by Mentorship and coaching	150 SMEs trained per intake 300 SMEs per year	371 individuals trained 186 Companies	328 enrolled, 231 SMEs completed
2	**Regional EDP (GIZ)**	Support extends to Micro SMEs in our regional locations focusing on entry level business development and skilling	400 MSMEs	166 SMEs 246 Individuals	562 recruited, 433 completed
3	**Albertine EDP (SBU)**	Support farmer groups towards standardized production and supply for the Oil and Gas sector and off takers for the local market	200 Farmers	46 farmer groups were trained and followed up post 2019	Program commenced in October 2021 – 45 farmers trained so far & runs into 2022
4	**Youth4 Biz -UNDP**	Grantees from this program are taken through the EDP capacity building	35 Grantees (1st cohort)	Conducted mobilization and reached 1,000 applicants	10 successfully completed training

2 New Programs 2021

NO	Program name	Description	Y3 Target	Actual
5	**NISAT –Embassy of France in Uganda**	Build a network of Agroecology and Ecotourism internationally through exposing SMEs to other markets and sectors	100 SMES	Recruited 120 On course in progress into 2022
6	**Hi innovator Program (NSSF & Outbox)**	Capacity building offered to beneficiaries of the program as one of the implementing hubs	100 SMEs	402 SMEs recruited, 46 trained, 7 completed, 6 awarded grants
7	**SACCO-EERF (SBU)**	Capacity building aimed at digitizing SACCOs operations with an element of financial training support and formalization.	50 SACCOS	26 trained & to run into 2022
8	**Alumni Master classes**	Expert led online sessions provided to participants of alumni programs and the general public to prepare them for application into work streams.	3 classes to reach 300	9 Classes, reaching 1107 SMEs

Typical business incubators offer business trainings and crown the same with certificate-awarding ceremonies. However, SBIL mentors and facilitates MSMEs from a point of mere existence until they become thriving and sustainable enterprises.

Supporting Uganda's growth

2020-21

626 companies graduate

1967 SMEs trained

2019

121 companies graduate

420 people trained

2018

34 companies graduate

94 people trained

2017

Business Incubator launched

40 companies boarded

2016

Concept approved for implementation

Location identified and renovations begin

Purpose

To develop strong and resellient SMEs and business leaders through custom tailored programs for business growth

Focus Sectors

- Oil and Gas
- Agriculture
- Construction & fabrication
- Logistics
- Others

Programs

Rebranded the Enterprise Development Trainings to customise for several entrepreneurial stages to include micro EDP, Stanbic accelerator Program & Supplier development Program

2022 Focus

Investor ready business, Access to finance & markets and sustainability

Partners

GIZ, French Embassy, UNDF, NSSF, SBU, Key training partner for PAU and Oil & Gas entities

WESLEY MUSINGA,
Head of Operations, GCC

"My biggest benefit (from the EDP) was business to business interaction, which helped us know our competitors, who we can do Joint Ventures with, and how other people run their businesses. Another thing you take for granted is that there are many companies in Uganda, which do each and everything. We met them at the Incubator. We did not know that they existed."

PRIMA K. SHIMBA,
Founder, Harvest Hills Ltd

"With the help of the knowledge got from the Incubator training, I can testify and let you know that I should be able to get my business to greater heights because it's easier to manage and it's growing every single month."

DIANA NAKIWALA,
Co-founder, TAN ENERGY

"I remember when we had just started our company, after a few months, it was all gone. With the knowledge we attained from the incubator training where we learned business planning, bid management, corporate governance and many more, we practically used this knowledge, and our business is now running smoothly."

NICK MUGIRA,
Managing Director,
Inspecta Africa

"By the time I joined the Stanbic Business Incubator, our company had been reduced to just me. But after three months at the Incubator, Inspecta Africa life changed and became a different story. Today we are in Zambia, we are in Tanzania. We are working with Sogea Satom in Mwanza building a water plant. We were recently in Mozambique. In Uganda we are in Buliisa, all the equipment in oil and gas in Buliisa we have got to certify it. We do inspections for CNOOC, Mota Engil, Sogea Satom. Anyone who matters in oil and gas, we do the inspections."

Economic thought leadership interventions

Economic Restart Fund Launch

Stanbic Bank Uganda hosted the inaugural "Uganda Economic Restart Breakfast Meeting" under the theme 'working together to drive Uganda's Post-Pandemic Economic Recovery.' Similar meetings would later be held with the aim of promoting regular engagement between the bank and government, to foster and strengthen strategic B2G partnership to drive Uganda's development.

The meeting was hosted by Anne Juuko, the Stanbic Bank Chief Executive, alongside other Executive Members and Managers from Stanbic Uganda Holdings Limited. This particular meeting discussed ways in which the bank and government would work together to drive Uganda's post-pandemic economic recovery.

The Bank of Uganda Director in Charge of Banks Supervision Tumubweine Twinemanzi applauded Stanbic for the initiative and urged players to implement the credit relief measures that the central bank had issued, key among them being loan restructuring. He also said, the central bank had allowed the market to have several players to enable borrowers choose a partner of their choice. The former Government Chief Whip and current Deputy Speaker of Parliament Hon. Thomas Tayebwa was the Chief Guest. He commended Stanbic for not only thinking of making money through loan facilities but also for thinking beyond to start a youth advisory board and supporting communities through its corporate social responsibility function.

Seeds of Gold – supporting the agriculture sector through farm clinics

Agriculture is the backbone of Uganda's economy, employing over 70% of the population, and contributing half of Uganda's export earnings and a quarter of the country's gross domestic product. A vibrant agricultural sector is what Uganda's economy needs to thrive especially in the exigencies of the Covid-19 pandemic.

The annual Seeds of Gold farm clinics organized by the Nation Media Group, have become a popular event for farmers, suppliers, policy makers and other stakeholders to share knowhow and practical methods towards improving Uganda's agricultural productivity.

The theme for this year is 'Climate smart farming'. It is a continuation of the big idea of solving farmer constraints by addressing the challenges of the adverse effects of climate change. Engagements with farmers on such platforms as farm clinics, is also in line with the government's objective to encourage climate smart agriculture (CSA). The Seeds of Gold clinics offer an opportunity for Stanbic Bank to show how it can help to bridge the information gap on financing while also unveiling other related products in line with farmers' current needs. Due to the Covid-19 pandemic, a mix of virtual and non-virtual clinics were held in Mukono, Arua, Fort Portal, Namulonge (in Kampala) and Mayuge. This was the third time Stanbic Bank was partnering with NMG for this annual event.

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Stanbic Bank Launches Partnership with Ministry of Health

In line with its commitment to support Ugandans who have been most adversely affected by the Covid-19 pandemic, Stanbic Bank launched a partnership with the Ministry of Health in which customized financial services products would benefit all government health workers across the country. This event was held in October at the Ministry of Health Headquarters and was graced by the Permanent Secretary Diana Atwine alongside other senior members of her ministry. The other officials were, Stanbic Bank CE, Anne Juuko, Stanbic staff and representatives of professional bodies.

The partnership sought to offer a range of low interest loans to government health workers across the country. The loans range from personal unsecured salary loans to secured loans, mortgages, vehicle and asset financing loans (VAF). Under this arrangement, government health workers are entitled to open an everyday banking account which attracts no monthly charges. However, workers with existing and different accounts in the bank would have the option to change their accounts to the everyday banking account at no cost. The bank would charge zero/ no arrangement/processing fees for all health workers seeking to top up or take new loans with Stanbic Bank. The interest rate was announced as the bank's prime lending minus 0.5% or 15.5% p.a. on reducing balance. Under the same partnership, the bank would offer a range of insurance products to the beneficiaries.

Compassionate leadership series unveiled

In a bid to drive the country's economic restart from the ruins of the Covid-19 pandemic, Stanbic Bank launched Compassionate Leadership Series under the theme, 'Leading with A Heart – Adapting to a new normal in a tough business environment', the virtual engagement was held in Kampala and attended by over 100 participants from a cross-section of Uganda's private sector. The panel was moderated by Maurice Mugisha, the Deputy Managing Director of UBC who in his introductory remarks noted that the initiative was an important demonstration of corporate leadership by Stanbic Bank. Panelists included Emma Mugisha, the Executive Director at Stanbic Bank Uganda, Peter Kimbowa, the Chairman Board for National Social Security Fund, Thadeus Nagenda, the Acting Chairman for Kampala City Traders Association and Isaac Nsereko, the Managing Director for RI Distributors.

The compassionate series would consist of three webinars featuring business leaders and technical persons that would help share their experiences on how they have effectively led their organizations and provided practical tools in overcoming the challenges brought by the Covid-19 pandemic. The pandemic had opened a window for the bank to experiment with innovations that enabled it to be more agile as the business environment changed. In line with the theme, the bank had restructured loans worth over UShs900billion, benefitting hundreds of economically distressed customers in various sectors of the economy.

Stanbic Bank launches partnership with KACITA

Stanbic Bank Uganda Limited and Kampala City Traders Association (KACITA), went into a partnership that would significantly ease traders' ability to source for goods from Asian markets as well as pay the stipulated taxes on the imported items.

This partnership aimed to improve compliance and help transform Uganda's small and medium enterprises (SMEs). It was launched in line with the bank's purpose 'Uganda is our home; we drive her growth' and bearing in mind that SMEs are the heartbeat of the country employing over 2.5million Ugandans. The launch came at a time the SMEs, like any other business had been hit hard by the pandemic. In addition, the partnership would provide some relief to traders as a result of disruptions in the global supply routes and their ability to source for goods.

Under the partnership, Stanbic Bank agreed to facilitate importation of goods from China and other Asian countries through its Subula Express proposition. On top of that, the bank would create special trade accounts at various branches to cater for the traders' requirements and at lower transaction charges. The bank also agreed to scale-up lending to bankable enterprises which previously was not possible since they did not meet certain internal lending thresholds. Most importantly, the partnership would see Stanbic Bank provide tax loans to qualifying customers in line with its lending criteria. The already existing bank customers that would be recommended by KACITA would qualify for unsecured loans not exceeding UShs200million. On its part, KACITA would ensure free flow of information between itself, the bank, and the Uganda Revenue Authority to give effect to the intended project.

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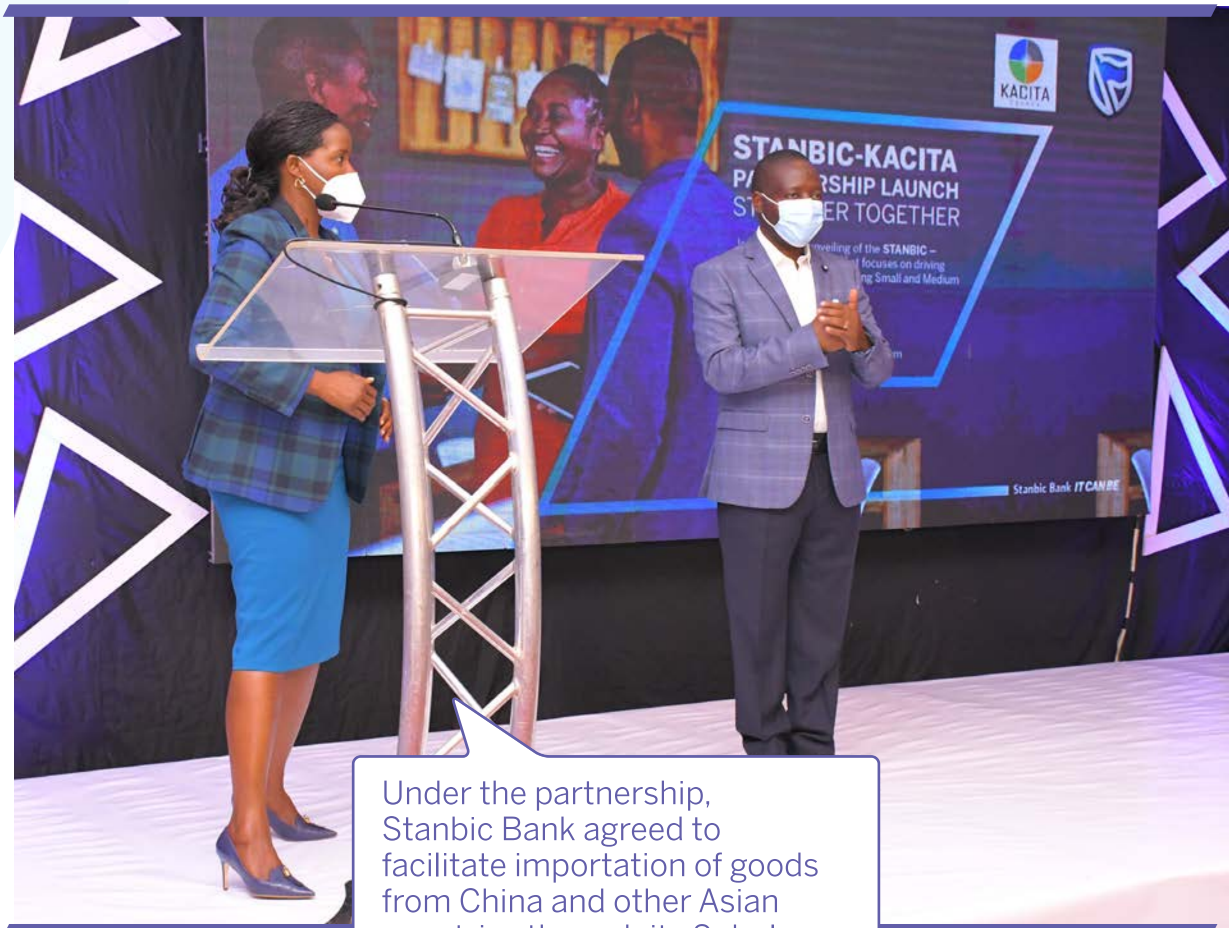

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BUILDING A RESPONSIBLE BUSINESS

Building a responsible Business

Stakeholder Engagement

How we engage with Stakeholders

Our relationships with all our stakeholders impact directly and indirectly on our business activities and reputation. We proactively engage with stakeholders to inform our business strategy and operations, shape our products and services, manage and respond to social expectations, minimise reputational risk and influence the environment in which we do business. The ways in which we engage with our stakeholders, and the frequency with which we do so, vary according to each stakeholder group as shown below.

2021 Awards - Accolades from our Stakeholders

In 2021, Stanbic Uganda continued to be recognised in various areas of excellence by our stakeholders. The organisation was commended for its contribution to society, economy, environment and good governance. The summary below highlights the notable accolades received:

2021 Accolades

1. **Bronze** for Integrated Report of the year award
2. **Winner,** Commercial Banks Category
3. **Winner,** Best Listed Entity
4. **Winner,** Sustainability Reporting Award
5. **Winner,** Corporate Governance Award
6. **Most trusted** banking Brand- Uganda
7. **Best Banking Brand**- Uganda
8. **Leadership Award-** Best Woman CEO – Banking sector (Stanbic Bank Uganda) – Ms Anne Juuko

gbm
Global Brands Magazine
AWARDS - 2021

Global Brands Magazine (GBM) is one of the leading brand publications and each year, they develop a series of awards for companies that have stood out, among them industry leaders, demonstrating exceptional service and unique vision. The Banking & Leadership Awards were the 9th Edition of Awards at GBM in 2021, established to honour excellence in performance across industries, and Stanbic Bank Uganda emerged the winner of three awards.

Procurement Practices

The Bank continued to apply practices aligned to the principles of transparency, integrity and equality on a consistent basis across all its Procurement activities throughout 2021.

Extending opportunities to local suppliers remained a key focus. RFx processes are structured in a manner that draws as many local suppliers as possible to participate in available Procurement & Supply opportunities. This is aligned to the Government's policy on promotion of local content through the Buy Uganda Build Uganda (BUBU) initiative. As a result, we continue to drive and maintain a high percentage of Procurement spend allocation to local suppliers (81% for 2021) as demonstrated by the Bank's third party/external supplier spend trends (between local & foreign suppliers) over the past three-year period (2019 to 2021).

	2021 UShs (millions)	2020 UShs (millions)	2019 UShs (millions)
Total Procurement Spend	**144 937**	180 968	178 224
Amount Spent on Local Suppliers	**117 750**	156 842	154 452
Amount Spent on Foreign Suppliers	**27 187**	24 125	23 772
%age Spent on Local Suppliers	**81%**	87%	87%

Our SEE shared value....

EDWARD CHARLES MUTEBI, Head, Procurement:

To me, SEE represents the need to uphold the practice of nurturing the competencies needed to drive socially and environmentally responsible Procurement, thereby contributing to the consistent application of structured & risk aware practices throughout all the stages of the procurement process, to deliver sustainable growth and commercial advantage for both the Bank and its supply partners.

Sustainable Procurement

The Bank's Procurement policy supports initiation and development of supply relationships with partners that observe the principles of ethical procurement such as; workforce diversity, human rights, equal opportunities and practices that protect the environment, among other sustainable procurement practices. Our vendor selection and award processes are structured to establish supplier compliance to these standards/ expectations at onboarding. For its long-term partnerships, the Bank continues to monitor Supplier commitment to these ethical standards throughout the relationship lifecycle through related contract clauses and ongoing compliance monitoring.

Specifically, in support of environmental protection, the Bank has deployed technologies (COUPA P2P & Adobe sign) that facilitate end to end digital Procurement engagements (Proposal Submission, PO Dispatch, Contract Execution, Invoicing, etc) with its supply partners, thereby eliminating the need for paper/printing and guarding against the would be impact on the environment.

These technologies have also reduced the supplier cost to bid and enhanced the RFx process audit trail & transparency, which in turn boosts confidence in the Bank's Procurement activities. The COUPA P2P platform was also a key contributor towards driving continuous RFx participation and sustained fair competition among the Bank's suppliers during the Covid-19 induced lockdown periods.

Additionally, the Bank endeavours and commits to settlement of undisputed supplier invoices within 10 business days to enable its supply partners minimize the impact of credit on their operations and support continuity.

These approaches have enhanced the delivery of mutually beneficial and sustainable commercial advantage from the Bank's external supplier relationships.

Supplier Development

Over the years, the Bank has progressively nurtured partnerships with its service providers through focus on application of various initiatives including; extension of Financial support to SME Suppliers to aid the satisfactory performance of their contractual obligations, supporting supplier risk management initiatives through focussed Supplier Control Assurance activities related to Business Continuity Management, Information Security, Occupational Health & Safety, among others for strategic suppliers.

In addition to consistent dissemination of project performance feedback, the Bank has embraced deliberate and continuous application of supplier performance improvement strategies through focussing and jointly working towards remedying project performance failures, thus enhancing supplier capabilities.

Similar to prior years, the Bank organized and conducted a supplier forum/event in October 2021 that focussed on enhancing understanding of the Role of Digital Transformation in Procurement & Supply Chain.

All these initiatives are critical for sustainable business growth and equip the Bank's supply partners with the resources, skills and competencies required to drive sustainable organizational growth.

Compliance framework and practices

SUHL's compliance framework is guided by a motto "Do the right business, the right way", a principal which is intended to drive the right compliance culture in SUHL and across all its subsidiaries. To drive good compliance practices across SUHL, the Board and Management have embedded a Compliance framework that ensures that we, operate in accordance with applicable laws and regulations, create a culture of honesty and integrity, build employee trust, confidence and promote a culture of high ethical and professional standards. The Executive Board is firmly committed to "zero tolerance" to non-compliance.

As a line of defence, the Compliance function has taken strides to ensure that SUHL not only meets its reporting obligations but does so timely which has been through harnessing the power of digital transformation to track various reporting obligations.

Annually, Compliance risk assessments are performed, Key Risk Indicators are re-defined, and the respective units' regulatory universes are refreshed to ensure close monitoring of any developments and potential compliance gaps within SUHL as well as making use of data analytics, machine learning and artificial intelligence. These are initiatives to proactively manage compliance risk. Additionally, the regulatory universe is often amended to monitor imminent compliance trends and obligations. This is to proverbially stay ahead of the curve. This has proven especially relevant for SUHL as it grows and continues to diversify its portfolio.

At Stanbic, we appreciate the vital role that our regulators play in the way we do business especially as we transition into a platform business. It is thus vital that we work closely with our regulators to keep them abreast of our business strategy and most especially get their support.

2021 through the Compliance lens

The year 2021 saw SUHL consolidate its strategic initiatives following the onset of the Covid-19 pandemic in 2020. The focus remained on ensuring regulatory compliance particularly for Stanbic Bank even during the unprecedented times brought about by the pandemic. The bank remained complaint with all its regulatory obligations as well as fulfilling its planned compliance activities in the years.

In order to safeguard the economy and continuously monitor any adverse effects that came with the measures put in place to combat the pandemic, Bank of Uganda continued to issue operational directives throughout the course of the year which, the bank fully complied with. Management actively tracked adherence to the directives with regular updates to the Board. With Covid-19 restrictions still prevalent during the year, SUHL continued to adopt a dynamic and agile approach that allowed us to serve our customers conveniently while remaining complaint.

In the second half of 2021, SUHL saw the easing of the Covid-19 restrictions and opening up of the economy. The focus from a compliance perspective remained on managing our conduct risk as well as exploiting the use of data analytics to improve and digitize our compliance risk monitoring capability.

2021 Compliance highlights

REGULATORY DEVELOPMENTS

The key developments in 2021 were the enactment of the Data Protection and Privacy regulations and National Payments Systems Regulations that enforced the Data Protection and Privacy Act, 2019 and National Payment Systems Act, 2020 respectively. The data privacy regulations provide a framework and standard for the managing and upholding the rights of data subjects while the National Payments Systems Regulations and Act regulate the efficient and safe use of payment systems. In 2022, the regulatory focus will look at developments around capital requirements for Supervised Financial Institutions as well as compliance with the new regulations introduced in 2021. As the bank drives its aspiration to become a platform business and explore cloud migration opportunities, the journey and engagements with our various regulators will be very key in 2022.

ANTI-MONEY LAUNDERING

SUHL largely operates within the financial services sector, as such, Money Laundering is one of the major risks it faces. Cognisant of the risk posed, SUHL has, across the entire group, implemented a robust AML/CFT framework to ensure adequate knowledge of the parties that we enter relationships with. The money laundering trends and typologies observed in 2021 remained consistent with those we witnessed in 2020 with the changing face of financial crime brought on by the pandemic. To remain astute to the risk, besides the surveillance system in place, the Bank has, premised on the trends observed, stepped up its training and awareness for its staff to help them understand the emerging threats and risks the bank is faced with to be able to curb money laundering and terrorist financing. In 2021, Compliance also leveraged on the use of data analytics to further enhance its AML surveillance and adjust to the continually changing trends in financial crime.w

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People and Culture

David Mutaka
Head, People and Culture

Whereas we thought 2021 would be the year we survived Covid, it proved to be more challenging than we could have ever imagined. I thank my colleagues and customers who showed even greater resilience just when you thought you could put the foot off the pedal.

Whereas we thought 2021 would be the year we survived Covid, it proved to be more challenging than we could have ever imagined. I thank my colleagues and customers who showed even greater resilience just when you thought you could put the foot off the pedal. In the year we lost three of our colleagues, Ruth, Henry and Doreen, with Henry succumbing to covid. They are missed and we continue to celebrate and honor them and their families, the loss brought us together and showed the strength of the human spirit,

our values and our LOVE culture, being human first.
Uganda being our home we were not insulated from the pain our country experienced as the pandemic's second wave ravaged through.
We honour the communities and families that support us as we try to make a difference.

In 2021, the bank began the year reshaping to what we called our Future Ready, client first journey. This was done without any loss of jobs and indeed 650 people found new opportunities to be the best version of themselves. We were proud to get momentum on some key initiatives like the Flexipay Wallet which even though being a new technology and shape is led by one of our very own a testament that staff were upskilling and reskilling to meet the challenges of the future.

Resilience required that we relook how we do things, and our culture was tested in terms of the risk environment we were in and how we needed to respond through even stricter disciplines and conduct. Ethics are more pronounced in our business, inclusiveness, accountability were words that gained prominence in the year as we serve our customers.

Continuing to learn, unlearn and relearn was the spirit of agility. This was enabled by our firm belief in our purpose of Uganda is our home we dive her growth, a growth that is both sustainable and inclusive.

Employee Wellbeing – and in the wake of COVID 19 I am certain there are some critical updates here

2021, the country engagement score hit a staggering +71 over a set target of +65. Care for our staff went beyond them and their families to extended families, household helpers among others. Leave no one behind was something we lived. Whereas we provide insurance for our staff and their families we had to find creative ways to help them support their broader families, where majority are primary bread winners.

A structured approach to Coordinating the testing, tracking, counselling, monitoring of our cases that more than tripled at the height of the second wave to over 300 COVID19 cases in collaboration with the government Ministry of Health officials ensured limited inconvenience to staff. The team arranged for emotional impact sessions, social and financial support for teams through prevention, diagnosis and management of covid. Who can forget recommendations of Christmas trees and all sorts of herbal concoctions to treat the disease? Ensuring that facts and expert help was readily available throughout was critical. This was while continuing to serve our customers. The death of Henry Kamuntu in the middle of all this was a huge blow for us. We pray that God continues to Rest his soul in eternal peace. He was a true brand ambassador looking forward to getting the Oil & gas journey jumpstarted with the signing of the FID.

Women and Diversity Update

Our flagship Women development program – Ignite continues to flourish, and in 2021 we expanded our efforts to create holistic interventions for all staff and introduced the barbershop for men. This was aimed at promoting positive masculinity that inherently respects and promotes women and humanity. Our Gender statistics continue to improve year on year.

The bank had a total Headcount of 1762 staff in 2021, of **which majority are female (52.2%)** compared to 52% 2020. Female employees also held 220 of the Managerial roles in 2021, up from 169 in 2020. The bank provides equal opportunities to all Ugandans and hre is based on merit.

We recognise that diversity and inclusion are the ingredients for innovation and being a human organisation that is representative of the communities that support us.

Investing in our Employees (Highlights)

	2021	2020	2019	2018
Total Employees	**1,762**	1,612	1,664	1,665
Staff Costs (UShs millions)	**149,000**	169,512	164,999	148,609
Female Employees	**928**	839	865	857
Interns	**20**	15	72	47
Employee Turn Over	**6.4%**	4.2%	8.8%	9.6%
No of Temporary Staff	**215**	80	125	112
Revenue Per Staff(UShs millions)	**514.5**	521.6	484.1	398.2
Cost Per Staff(UShs millions)	**274.4**	250.1	237.1	206.4
Males trained	**571**	761	561	805
Females trained	**927**	777	589	851
Total no of staff trained	**1,759**	1,480	1,150	1,656
Training Spend (UShs millions)	**1,703**	1,733	4,476	3,581

Diversity Figures

52.2%
Women in **leadership**

33.3%
Women in **Executive level**

Productivity Analysis

H3 Workforce Productivity Metrics

$$\frac{\text{Total Operating Revenue - (Total Operating Expenses - Total cost of Workforce)}}{\text{Total Cost of Workforce}}$$

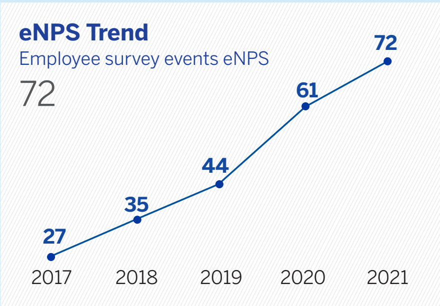
Entity	Workforce ROI			Cost to Income Ratio			Staff Cost % of Operating Expenses		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
SBG	2.39	2.32	2.31	56%	58%	58%	55%	54%	56%
AR	2.91	3.0	2.95	52%	51%	53%	49%	48%	46%
	3.49	3.54	3.47	49%	48%	51%	42%	42%	38%

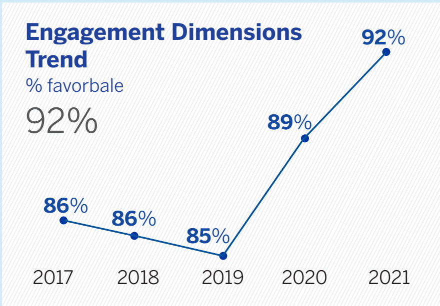
Employee Engagement

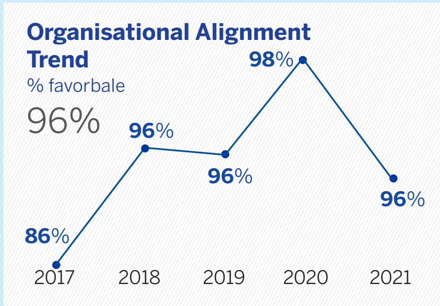
Finding Pockets of opportunity for Productivity

Employee Net Promoter Score
(eNPS) 72+

ARE YOU A FAN? Significant improvement in Innovation and Empowerment dimension Scores







Learning and Development

Creating a learning Culture that can Sustain Continuous Transformation.

2021 Learning Trends

The year 2021 presented a rise in the utilization of the e-Learning platforms with exposure to a wider range of curated content for the learners. Preferences of our learners moved from classroom to self-directed learning, especially micro learning to meet their needs. (popular sources, You tube videos, podcasts, TED talks etc.)

Embracing Digital Learning

With the pandemic, there was a need to shift how we think about learning with an accelerated focus on having a future ready, agile and resilient workforce.

DRIVE TO WIN...JOURNEY TO A FUTURE FIT WORKFORCE

Drive to win is our mindset and skillset shift tool to a future ready workforce. Over 680 staff are on the Drive to Win programme. The journey is towards creating an empowered workforce in a digital world focused on impact and solving problems for the customer.

Outcome

Performance Improvement reflects in the Enterprise~ meeting Targets More focus on Learning Opportunity growth

Application of Learning: Practice Labs

In getting future ready, one of the key focus areas was teams getting into the practice labs as the members are looking to explore what they can do in the business to immerse themselves. 280 active learners and 15 active Labs

Partnerships: Girls for Girls, Digital Lending, SACCO, Salesforce, Women CVP, Flexi pay, Fly HUB, CSI, Client Solutions, Properties and Learning & Development. Hence 93% of the population participated in Are You A Fun survey agree that there is growth opportunities

Leveraging Diversity to improve Business effectiveness

As part of our culture journey, we focused on signature diversity leadership programs i.e. Ignite & Barbershop.

Ignite is a women's program focusing on elevating women in leadership, challenging limitations and empowering women to fulfil their potential. The 2020-2021 program is being run by the alumni from the program to further embed the learning and pay it forward. The alumni are also mentors to at least 9 ladies in the Bank. So far 350 female employees have been through the program.

We launched the Barbershop program which is a men's program focusing on authentic masculinity. We have identified specific topics to focus on based on what we are solving for. 352 men signed up for Barbershop. The sessions are happening in two-fold; Webinars for the full team and smaller circles with the mentors, providing safe spaces to regenerate, share reflections and how they are applying their learning.

The Book Club

We have the Book Club that is aimed at developing capability by challenging our thinking. We recognise that learning takes on different forms so the Book club creates space for employees to deliberate on the books they have read, ideas they got and how this can be applied in the work environment. The books selected have a future ready theme to help with the mindset shift required for the new world. The books reviewed were "Future now by John Sanei and The Amazon Management System by Ram Charan, The Black Swan by Nasim Nicholas Taleb and currently Switch - how to change things when change is hard by Chip Heath & Dan Heath.

We have had 109 employees attend at least one session. As a result, these eager beavers are now part of the strategic multi-disciplinary workstreams as a way of applying the new learning.

Partnering our leaders to accelerate growth and lead our culture

Leadership is key for the growth of any organization and more so for transformation and sustaining change. To enable effectiveness of our leaders, learning programs included:

Meaningful Conversations

Meaningful Conversations training. This is aimed at equipping line managers with the skills needed to have the right conversations with their team. With the view that human interaction is a core business process. Alignment and managing aspiration is a continuous activity.

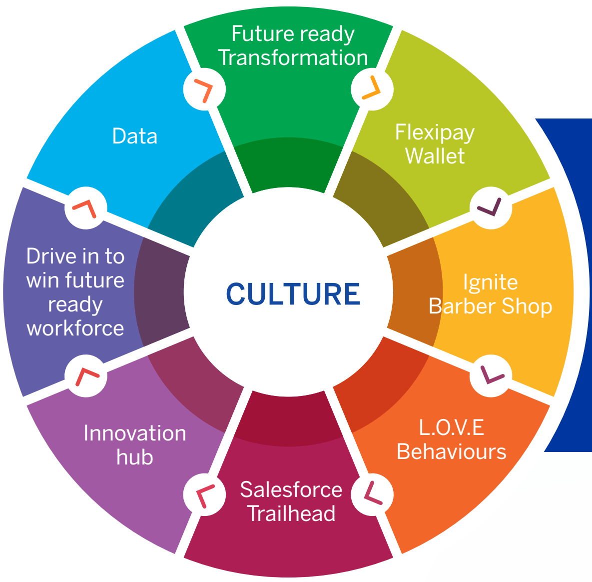
Barbershop; 2 cohorts in. The second cohort is being run by the men in the Bank. They were trained on how to facilitate the sessions. The goal is to create a community and have men carry their lessons forward. This approach improves engagement and reduces on the delivery costs.

The goal is to have every man g through the program. 25 leaders have been through the program so far. The goal is to have all leaders complete the training this year.

Leadership Circles and speaker series are active. All the leaders were assigned circles and identified moderators upskilled and given the tools needed to guide the conversations within the circles. The circles are a safe space for leaders to pause, share best practices, speak about challenges and help each other to show up as their best selves.

Creating agile & Feature Teams

As an outcome of the Culture work, collaboration and curiosity are key pillars. There were several multi-disciplinary workstreams that presented opportunities to employees to do more and different from their current roles. Multidisciplinary work streams are a great avenue for blended learning.



In getting future ready, one of the key focus areas was teams getting into the practice labs as the members are looking to explore what they can do in the business to immerse themselves.

280 active learners and 15 active Labs

Customer Experience

Customer Centricity is one of the main strategic priorities of the Bank and Stanbic bank strives to inspire its employees to connect and deliver the customer promise. As the bank strengthens its customer-centric culture one of the banks key strategic value drivers is to Lead with Customer Experience.

Customer Appreciation

As a financial services organization, we continue to listen to our customers to deliver services and solutions that are meaningful to them and we are committed to finding new ways to make their dreams possible. In line with the strategic focus, we embarked on proactive customer engagements, driving customer growth, and improving the overall customer experience, we introduced a Client Appreciation day initiative for both our personal and business customers.

This initiative is intended to:

Reignite a passion in colleagues to serve customers and to appreciate them

Drive customer growth and acquisitions in our targeted segments and sectors

Drive and embed a culture of proactive and fruitful customer engagements

Aims to increase Non-Interest Revenue through deepening entrenchment, opportunities to bank / solution value chains and drive increase in transactional accounts for sustainability

We also recognized 2000 customers who actively transacted on our digital channels at least 20 times a week. This is in line with our drive to onboard 95% of our customer on digital solutions.

Customer Satisfaction

We embarked on a journey to become a future ready business that delivers great experiences to our customers. In March 2021, we launched Sales Force and we laid the foundation to enable world class level of sales service digitally. A 360-degree view of the customer to solution better for them and continue to drive timely resolution and quality of resolution.

As a result of the adoption of Salesforce, SLA resolution improved from 14% in March to 84.7% in December 2021.

Stanbic Bank Uganda's overall NPS for 2021 improved by +3 points to +19 from +16 in 2020 in the first wave. Customer Satisfaction has seen a slight improvement with 8 out of 10. It is also noted that Overall Satisfaction is improving year-on-year

In November 2021, we also conducted a Mystery shopping exercise where 35 of our branch and ATM channels were surveyed across the country with the aim to identify service gaps and areas of excellence.

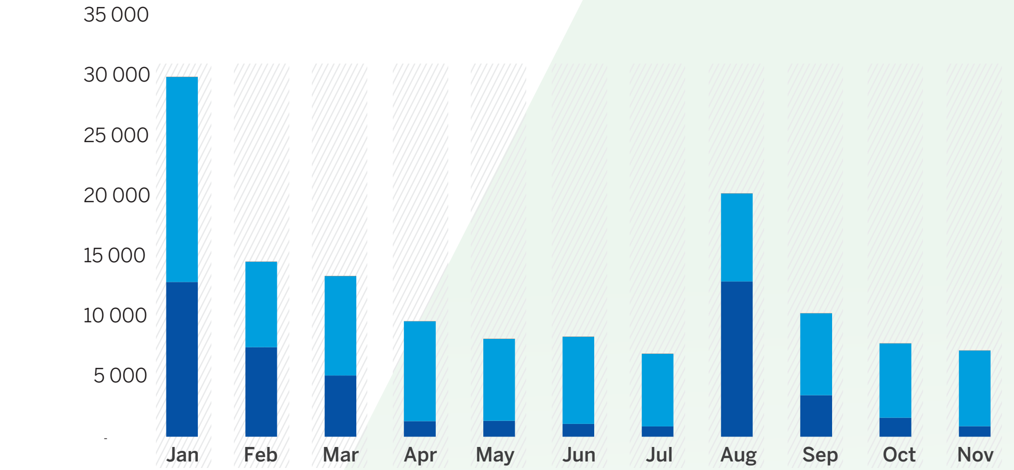
Overall, our service index stands at 68% against an 80% average rating for each touch point.

The Voice of the customer is an opportunity for us to connect better with the customers as well as improve the way we serve them. The bank continues to encourage customer feedback and every month a customer is welcomed into the banks customer executive management meetings to share their experiences with us.

Customer Retention

Churn customers reduced from 12,867 in Jan 2021 to 869 in November 2021.

2021 MoM Churning Trend

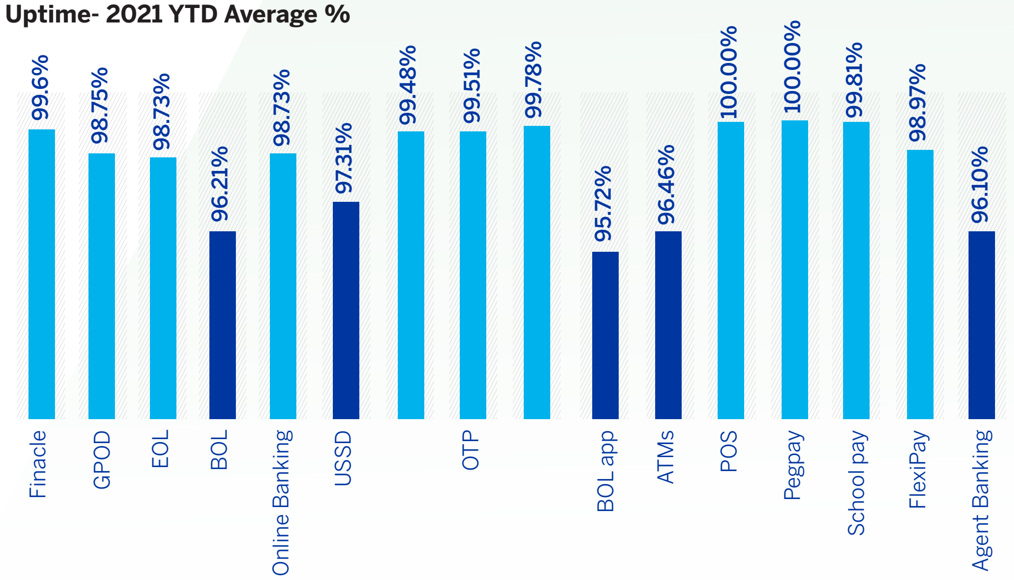


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
% churned	**43%**	**51%**	**38%**	**14%**	**16%**	**13%**	**13%**	**64%**	**34%**	**20%**	**12%**
Onboarded	1,706	7,108	8,268	8,292	6,810	7,246	6,033	7,316	6,798	6,175	6, 302
Churned	1,286	7,444	5,098	1,297	1,330	1,072	862	1,291	3,455	1,582	869

Channel Efficiency

Over 80 percent of the bank's services are delivered to customers through digital channels in line with the organization's future readiness aspirations. Stanbic bank aims at ensuring stability and reliability of its digital service channels at 100%. In 2021 several of our systems were relatively stable.

Uptime- 2021 YTD Average %



Managing complaints

Overall bank complaints have greatly reduced from 51,367 in the first half of the year(January to June) to 29,716 in the second half of the year(July to December) The complaint management process is supported through the salesforce complaint resolution tracking and monitoring.

We continue to focus the teams and ensure that the customer resolution is timely and within the service level agreements in place.

Occupational Health and Safety

Occupation healthy and safety was a main focus for the bank in 2021. The unit supported staff with PPEs gears during the second COVID -19 lock down, which included, face mask, gloves for tellers, sanitizer and liquid soap usage, Temperature guns, desk shield for tellers, daily staffing numbers per floor and branch to monitor social distancing adherence and area sitting capacity across all point of business representations. Unfortunately, the bank lost one staff due to COVID-19 pandemic. A big number of staff recovered.

We got 50 car accidents of which 2 were fatal. Affected staff recovered from Hospital and are back to work. Measures have been put in place to control and reduce car accidents. Speed governs planted into bank cars, refresher course on defensive driving given to all staff permitted to drive bank cars and plan is under way to replace old fleet of cars.

Over 200 staff were offered first aid and fire marshal refresher course to comply with the OHS act of 2006 and also a bid by the OHS policy of the bank. Ergonomic and heavy weightlifting trainings were offered to staff. 20 staff members were reported to have been diagnosed with back pain. They were given Orthopaedic chairs.

Environmental Responsibility

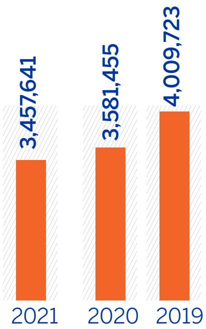
Stanbic bank Uganda is committed to the support of the environmental conservation programmes through ensuring use of adequate infrastructure, tools and methods for environmental sustainability. The bank's employees' awareness and training programmes are designed to address environmental requirements. Bank operations are governed by standard processes and procedures that promote varied aspects of environmental sustainability.

Stanbic Bank Uganda's goal is to reduce environmental emissions through green technologies and processes. We subscribe to the same Environmental Policies of Standard Bank Group. The bank continuously tracks the consumption trends for its energy resources including water, diesel and electricity and implements any observed/recommended requirements for dealing any deviations from the desired trends.

Environmental Highlights

		2021	2020	2019
Electricity purchased	kilowatt hours	**3,457,641**	3,581,455	4,009,723
Fuel consumed	liters	**378,235**	403,662	460,438
Water consumed	kiloliters	**21,205**	20,820	26,073
Paper consumed (Copier)	tons	**32**	38	54
Paper consumed (Other)	tons	**40**	59	64
Carbon Emissions	tons	**4,885**	5,172	6,151

ENERGY CONSUMPTION



Energy consumption has a direct effect on operational costs and exposure to fluctuations in energy supply and prices. Our environmental footprint is shaped in part by our choice of energy sources. Energy utilized at Stanbic bank is basically in the form of hydro-electric power that is required to power up our machines and at the same time provide lighting amongst other uses. Hydroelectric power is regarded as clean energy and thus doesn't pose any negative material impact to the environment. The Bank however runs diesel powered generators as back up supply for instances where the hydroelectric power is unavailable. There are two locations in the network (Kotido and Kaabong) which are off grid, however solar power supply was installed at these locations three years ago after a successful proof of concept as a primary source with a generator being used at each site as a backup. Alternative sources of power that are robust enough to run full branch infrastructure with No/ minimal impact to the environment are being explored and once confirmed to be suitable, a proof of concept will be carried out before adopting the solution.

Electricity		2021	2020	2019
Electricity purchased	kilowatt hours	3,457,641	3,581,455	4,009,723

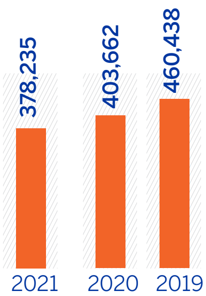
The Banks Electricity consumption reduced by 4% in 2021 and this is attributed to various initiatives undertaken to reduce our total energy consumption such as replacement of desktops which required powering two equipment with laptops, space reduction (Umoja and Muyenga records centre) and hybrid working model.

It's important to note that there was a general stable grid power supply which resulted in corresponding drop in generator usage.

The energy efficiency initiatives like deployment of LED lights and automation of air conditioners is still being implemented for Branches which are being set up/ revamped.

Sensitisation was carried out across the network on energy usage, and this has also greatly contributed to reduction of energy usage as well as reduction in the size of some branches. Automation of lights is currently being explored for head office and a proof of concept is scheduled for Q2 2021.

FUEL CONSUMPTION

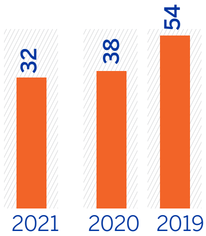


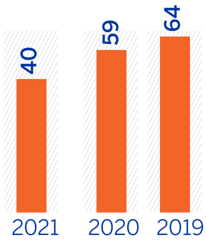
Fuel Consumption has a direct impact on emissions released to the environment. At Stanbic, our fuel usage usually comes in the form of Motor Vehicle and Generator Fuel usage. Stanbic utilises electronic tracking & monitoring of fuel technology for both Vehicles and generators in order to check efficiency and total consumption by the bank.

Fuel		2021	2020	2019
Fuel consumed	liters	378,235	403,662	460,438

Our fuel consumption reduced by 6.3% in 2021.This is attributed to the Logistical team's sensitisation to the network on efficient usage, timely engagements with UMEME to restore power which increased on grid power uptime and replacement of old and high fuel consuming cars with more efficient new cars, reduction in movements majorly attributed to Covid 19 Impact and restrictions imposed by the Government to control the spread.

MATERIALS





Our value creation process requires marginal input of materials and as such our major input is paper which is used in form of stationery of varied nature. This is used to print necessary source documents as well as various reports.

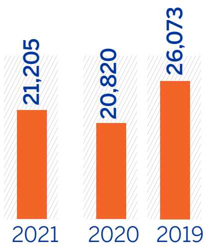
Stationery		2021	2020	2019
Paper consumed (Copier)	tons	32	38	54
Paper consumed (Other)	tons	40	59	64

Paper consumption reduced by 17% in 2021 compared to the consumption in 2020. This is attributed to a couple of initiatives adopted to reduce on paper usage, which include process automation and digitisation of some processes e.g. procurement and payment process which are currently run through Coupa. Furthermore, the introduction of digital engagements like Teams for meetings as well as customer transactions which were digitised also discouraged the usage of paper. Key to note was the impact of Covid-19 on business where business slowed down for a period of six months.

This is expected to drop further once the paperless initiatives in place are fully adopted.

Consumption of other stationery in this area also reduced by 33% compared to 2020 due to increased sensitisation on stationery usage across the network as well publication of costs incurred by different teams on stationery which has greatly impacted on the behaviour in stationery usage.

WATER USAGE

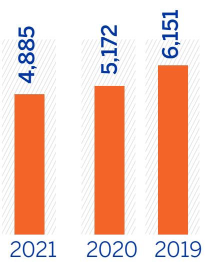


Clean freshwater is becoming increasingly scarce and can impact production processes that rely on large volumes of water. Our value chain at Stanbic Bank does not require significant volumes of water and as such much of the water used is for basic laundry and sanitary services. The levels of water consumption do not pose a systemic risk to the environment.

Water	2021	2020	2019
Water consumed	21,205	20,820	26,073

The increasing trend in water usage in 2021 was attributed to the Covid-19 impact which required an increased frequency of cleaning and return of some staff members who were initial working remotely in response to customer demands.

GREEN HOUSE GAS EMISSIONS



Greenhouse gas emissions are the main cause of climate change. In July 2015 Uganda signed to the ratifications of the Kyoto Protocol an initiative of the United Nations Framework Convention on Climate Change. Under the Protocol, countries' actual emissions have to be monitored and precise records have to be kept of the trades carried out. Much of our value chain doesn't result into significant emissions into the environment, our operational practices however, cause emissions to the environment which arise in form of motor vehicle and generator diesel combustion, flight, air-conditioning and Fluorescent emissions. Various initiatives are currently in place to reduce our emissions to the environment as indicated further on.

Gas Emission		2021	2020	2019
Carbon emissions	tons	4,885	5,172	6,151

Our carbon footprint decreased by 6% in 2021 driven majorly by our lower reliance on diesel due to power stability and equipment rationalisation.

The Covid-19 impact spread throughout the year 2021 and hence affecting majority of business operations such as commercial flights, head office and the branch network mobility.

STRATEGIC ENVIRONMENTAL INITIATIVES

The Bank continues to take deliberate steps to cut down its energy consumption and optimize the spend on energy. To this end the following initiatives are being driven.

- Power automation, equipment rationalization and deployment of environmentally friendly alternative power solutions like solar and inverters.
- Waste management (adopt usage of waste segregation bins at all PoR's)
- Tree planting imitative in partnership with other cooperate entities
- Digitization and process automation of Process to reduce on demand for paper.
- Adopt equipment's (Generators, vehicles etc.) with smart technology which have minimal impact to the environment.
- Office and Branch Space rationalization.

CORPORATE SOCIAL INVESTMENTS

Committed to transforming lives in our communities

Stanbic Uganda remains committed to delivering on its Social, Economic and Environmental priorities through our Corporate Social Investment initiatives that transform the lives of people in our communities. Stanbic Invested over UShs 3.5 Billion in community initiatives. This section highlights our key initiatives in 2021:

Education – National Schools Championship

Despite the hurdles presented by the pandemic, the Stanbic National Schools Championship kept raising the bar through innovative educational programs that continued to support students while at home for the 2nd year running. With a budget of **over UShs 800m,** the program reached **100 schools, 400 teachers and 60,000 students.** The number of schools participating has increased over the years to 100 schools in 2021, with the number of students skilled jumping from 96 at the start in 2016 to **2, 300 in 2021** and the number of teachers skilled increasing from **32 to 100 in 2016 and 2021.**

over **UShs 800m,** 100 schools, 400 teachers and 60,000 students reached.

The Bank donated **100m** worth of equipment and over **UShs130 million** worth of mamakits

Health - Maternal Health Initiative

The health of mothers in our country impacts us all and to promote improved maternal health care, Stanbic Uganda partnered with various players in the public and private sector to raise support and greater awareness of the issues mothers face.

The partners included: **ATC Uganda, Huawei, Vivo energy, Liberty Life, UNOC, MTN, Umeme, Uganda Communication Commission, Trademark East Africa, Total, NSSF, Crown Beverages, Uganda Breweries Limited, AFREXIM and United Nations Development Program.**

We also started an awareness campaign under the theme 'Every Mother Counts', in which we intend to ensure that government hospitals have proper lifesaving equipment, individual mothers receive proper care during their pregnancy period and ensure that doctors, midwives and nurses are appreciated, comfortable and enjoy delivering quality services to these mothers.

Stanbic also donated **100m worth of equipment** and over **UShs130 million** worth of mamakits in 3 batches contributed towards by staff and matched by the CSI department in 2021 and this **supported over 4,000 mothers** that came through the hospital.

Environment - Taasa Obutonde Campaign

In 2021, **Stanbic Partnered with Vivo Energy, NEMA, UBL and NBS** in the Taasa Obutonde campaign with a partner contribution of **30m**. The campaign was started to support the **UN SDGs 3 (Good Health and Well Being), 13 (Climate Action) and 17 (Partnerships for the goals)** while encouraging environmental conservation and recycling of plastic waste.

The Bank contibuted **UShs 30m** in Taasa Obutonde campaign

Employee Community initiatives

29 staff projects were supported and implemented under our employee community initiatives. Matching our staffs contributions, the bank spent UShs**73m** on staff chosen initiatives that were focused on solving the issues faced by the members of the communities in which we serve and impact **over 6,300 people**.

CSI Intervention Reach (Number of. Beneficiaries)	2021	2020	2019
Employee Community Involvement (ECI)	7,656	12,884	20,000
Philanthropy and Commitment to Humanitarian projects	135,670	312,504	247,000
CSI Special Projects and Strategic Partnerships	157,727	133,750	141,000
Total	**301,053**	**459,138**	**408 000**

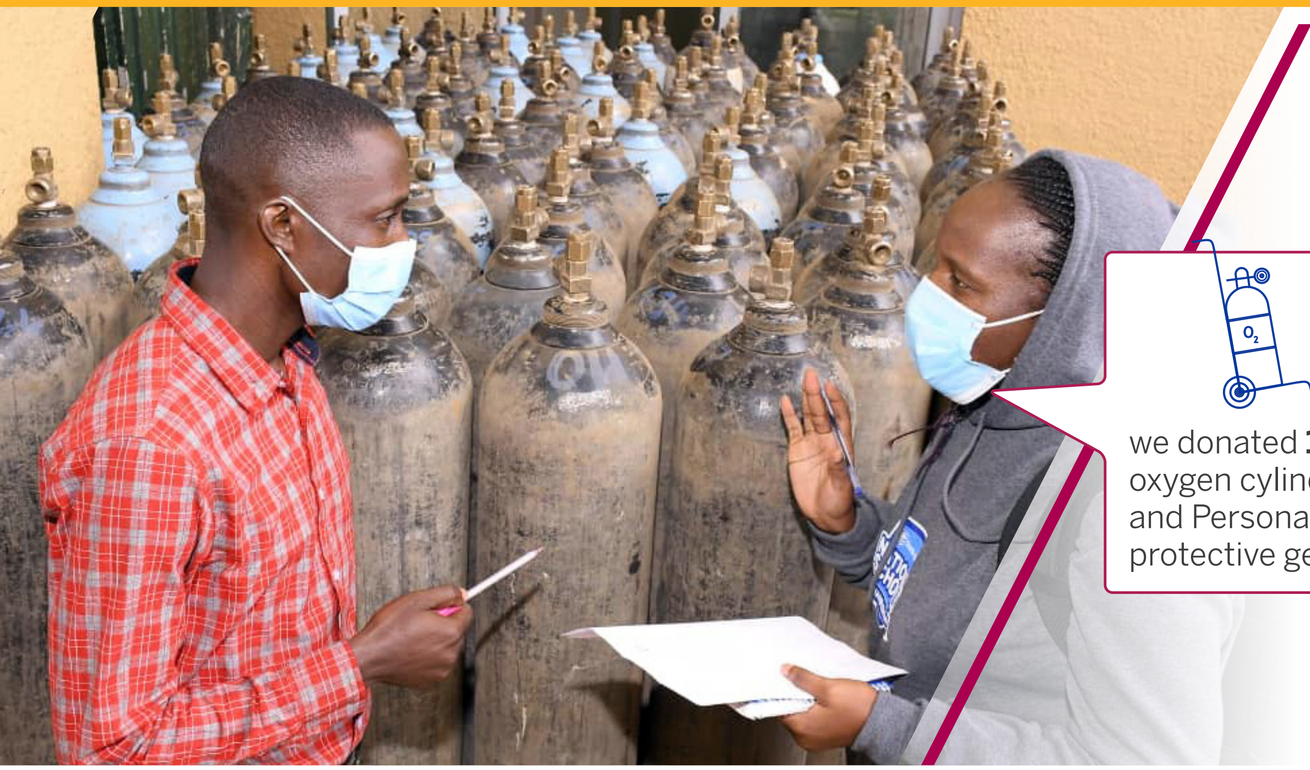
CSI Investment	2021	2020	2019
CSI Investment (UShs)	3,507,765,110	3,914,938,416	2 906 362 595

Stanbic Invested over **UShs 3.5 Billion** in community initiatives. This section highlights our key initiatives in 2021

Key Projects and partnerships

Social Interventions during second wave of Covid-19 pandemic:

In the second wave of the Covid 19 pandemic in 2021, Stanbic bank once again took the frontline to respond to the pressing needs of communities and health workers. Among the many interventions, we made donations to frontline health works in collaboration with the Ministry of Health. We donated 100 oxygen cylinders and Personal protective gear.



O_2

we donated **100** oxygen cylinders and Personal protective gear.

Tree planting initiatives

We continue to promote environmental conservation through various initiatives that deliver on our SEE and ESG priorities which align to the sustainability development goals on climate change action.

In 2021, Stanbic Bank Uganda partnered with Roofings LTD and Total energies to plant fruit trees across the country.

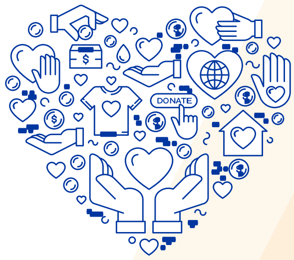
Stanbic engaged both staff and partners in a green campaign where 19,279 fruit trees were distributed countrywide to schools and other locations. 12,448 trees were planted in schools and 6831 distributed to Staff members for both personal projects and employee community initiatives.

The Bank engaged both staff and partners in a green campaign where **19,279** fruit trees were distributed countrywide.

Philanthropy and Commitment to Humanitarian projects

In addition to our key projects, Stanbic Uganda has been instrumental in providing support to various communities facing diverse challenges that require specific interventions to support their needs.

We provided both financial and in-kind support to our communities and below are some of the key initiatives we supported:



Other philanthropy and sponsorship projects:

Project Name	Our Involvement	Support in UShs	Impact
Rutooma PS	Construction of a classroom block	**10,000,000**	**589**
Ramadhan Donation	Donation towards Ramadhan	**35,000,000**	**15,000**
Ngora District local government	Donation towards refurbishing and equipping district health units	**20,000,000**	**1,000**
MUBS	Sponsorship for youth conference	**5,000,000**	**20**
Covid-19 relief, wave 2	Procurement of oxygen cylinders to support MoH, Protective gear for frontline workers	**212,878,520**	**12,600**
Nyaka project	Nyaka marathon sponsorship	**3,000,000**	**1,000**
PPEIAU vaccination drive	Multi-media based campaign	**4,010,000**	**372**
Boundless minds	Donation towards the initiative	**30,000,000**	**500**
Women in technology	Donation towards the initiative	**20,000,000**	**360**
Bakash foundation	Donation towards the initiative	**15,000,000**	**5,000**
Heroes in health	Donation towards the awards	**30,000,000**	**1,000**
SOS	Donation towards the initiative	**30,000,000**	**29,000**
Wakisa ministries	Donation towards the initiative	**20,000,000**	**104**
CSI computer donation	Donation towards youth centers	**13,000,000**	**20,000**

Reporting Practices

The 2021 Sustainability Report was compiled in reference to the Global Reporting Initiative (GRI) guidelines and supported by the G4 Financial Services Sector Supplement.

Disclosure Number	Description	Required for CORE	Cross Reference/ Heading	Page Reference
102-1	Name of the organisation	Core	Who we are	9
102-2	Activities, brands, products, and services	Core		218-219
102-2	Activities, brands, products, and services	Core	products and servicesw	218-219
102-3	Location of headquarters	Core	Supplementary information	9 & 222
102-4	Location of operations	Core	Stanbic Footprint in Uganda	220 & 221
102-5	Ownership and legal form	Core	Organisation Structure	7
102-6	Markets served	Core	Who we are and supplementary information	10 & 11
102-7	Scale of the organisation	Core		10 & 11
102-8	Information on employees and other workers	Core	Investing in our employees	88-91
102-9	Supply chain	Core	Our products and services	218-219
102-10	Significant changes to the organisation and its supply chain	Core		N/A
102-11	Precautionary Principle or approach	Core		N/A
102-12	External initiatives	Core	Direct benefits to society	97-101
102-13	Membership of associations	Core		N/A
Strategy				
102-14	Statement from senior decision-maker	Core	Chairman's Statement	14
102-15	Key impacts, risks, and opportunities		Compliance practices	87
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behavior	Core	Covered in our values	26
102-17	Mechanisms for advice and concerns about ethics		Risk management and control	46-57
Governance				
102-18	Governance structure	Core	Corporate governance	108-109
102-19	Delegating authority		Corporate governance	113
102-20	Executive-level responsibility for economic, environmental, and social topics		Corporate governance	N/A
102-21	Consulting stakeholders on economic, environmental, and social topics		Corporate governance	113-117
102-22	Composition of the highest governance body and its committees		Corporate governance	108-109
102-23	Chair of the highest governance body		Corporate governance	108
102-24	Nominating and selecting the highest governance body		Corporate governance	114
102-25	Conflicts of interest		Corporate governance	121
102-26	Role of highest governance body in setting purpose, values, and strategy		Corporate governance	113
102-27	Collective knowledge of highest governance body			N/A
102-28	Evaluating the highest governance body's performance		Corporate governance	115
102-129	Identifying and managing economic, environmental, and social impacts		Risk management and control	46-57
102-30	Effectiveness of risk management processes		Risk management and control	46-57
102-31	Review of economic, environmental, and social topics		Financial and Operational Review	34-37
102-32	Highest governance body's role in sustainability reporting		Corporate governance	118
102-33	Communicating critical concerns			N/A
102-34	Nature and total number of critical concerns			N/A
102-35	Remuneration policies		Remuneration report	123-124
102-36	Process for determining remuneration		Remuneration report	123-124
102-37	Stakeholders' involvement in remuneration		Remuneration report	123-124
102-38	Annual total compensation ratio		Remuneration report	123-124
102-39	Percentage increase in annual total compensation ratio		Remuneration report	123-124
Stakeholder Engagement				
102-40	List of stakeholder groups	Core	Stakeholder engagement	78
102-41	Collective bargaining agreements	Core	Investing in our employees	88-91
102-42	Identifying and selecting stakeholders	Core		N/A
102-43	Approach to stakeholder engagement	Core	Stakeholder engagement	88-91
102-43 102-44	Approach to stakeholder engagement Key topics and concerns raised	Core	Stakeholder engagement	88-91
102-45	Entities included in the consolidated financial statements	Core		N/A

Reporting Practice				
102-46	Defining report content and topic Boundaries	Core	About this report	63
102-47	List of material topics	Core	About this report	63
102-48	Restatements of information	Core		N/A
102-49	Changes in reporting	Core		N/A
102-50	Reporting period	Core	Our Report	63
102-51	Date of most recent report	Core	Our Report	63
102-52	Reporting cycle	Core	Our Report	63
102-53	Contact point for questions regarding the report	Core	Supplementary information	212
102-54	Claims of reporting in accordance with the GRI Standards	Core	GRI Index	102-105
102-55	GRI content index	Core	GRI Index	102-105
102-56	External assurance	Core		N/A
Management Approach				
103-1	Explanation of the material topic and its Boundary	Core		N/A
103-3	Evaluation of the management approach	Core	Chairman's Statement	64
Economic Approach				
201-1	Direct economic value generated and distributed			68
201-2	Financial implications and other risks and opportunities due to climate change		Environmental responsibility	94-96
201-3	Defined benefit plan obligations and other retirement plans			N/A
201-4	Financial assistance received from government			N/A
Market Presence				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage			N/A
202-2	Proportion of senior management hired from the local community			N/A
Indirect Economic Impacts				
203-1	Infrastructure investments and services supported			N/A
203-2	Significant indirect economic impacts		Covered in environmental responsibility	94-96
Procurement Practices				
204-1	Proportion of spending on local suppliers	88-91	Covered in building a responsible business.	82
Anti-Corruption				
205-1	Operations assessed for risks related to corruption			N/A
205-2	Communication and training about anti-corruption policies and procedures		Compliance practices	86
205-3	Confirmed incidents of corruption and actions taken			N/A
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		Compliance practices	87
Materials				
301-1	Materials used by weight or volume		Environmental responsibility	94-96
301-2	Recycled input materials used			N/A
301-3	Reclaimed products and their packaging materials			N/A
Energy				
302-1	Energy consumption within the organisation		Environmental responsibility	95
302-2	Energy consumption outside of the organisation		Environmental responsibility	95
302-3	Energy intensity		Environmental responsibility	95
302-4	Reduction of energy consumption		Environmental responsibility	95
302-5	Reductions in energy requirements of products and services		Environmental responsibility	95
Water				
303-1	Water withdrawal by source		Environmental responsibility	96
303-2	Water sources significantly affected by withdrawal of water		Environmental responsibility	96
303-3	Water recycled and reused		Environmental responsibility	96
Bio-Diversity				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas			N/A
304-2	Significant impacts of activities, products, and services on biodiversity			N/A
304-3	Habitats protected or restored			N/A

304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		N/A
Emissions			
305-1	Direct (Scope 1) GHG emissions	Environmental responsibility	96
305-2	Energy indirect (Scope 2) GHG emissions	Environmental responsibility	96
305-3	Other indirect (Scope 3) GHG emissions	Environmental responsibility	96
305-4	GHG emissions intensity	Environmental responsibility	96
305-5	Reduction of GHG emissions	Environmental responsibility	96
305-6	Emissions of ozone-depleting substances (ODS)	Environmental responsibility	96
305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions		N/A
Effluents and Waste			
306-1	Water discharge by quality and destination	Environmental responsibility	96
306-2	Waste by type and disposal method		N/A
306-3	Significant spills		N/A
306-4	Transport of hazardous waste		N/A
306-5	Water bodies affected by water discharges and/or runoff		N/A
Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations		N/A
Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria		N/A
308-2	Negative environmental impacts in the supply chain and actions taken		N/A
Employment			
401-1	New employee hires and employee turnover	Investing in our employees	88-91
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Investing in our employees	88-91
401-3	Parental leave	Investing in our employees	88-91
Labour / Management Relations			
402-1	Minimum notice periods regarding operational changes		N/A
Occupational Health and Safety			
403-1	Workers representation in formal joint management–worker health and safety committees	Investing in our employees	88-91
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Investing in our employees	88-91
403-3	Workers with high incidence or high risk of diseases related to their occupation	Investing in our employees	88-91
403-4	Health and safety topics covered in formal agreements with trade unions	Investing in our employees	88-91
Training and Education			
404-1	Average hours of training per year per employee	Investing in our employees	88-91
404-2	Programmes for upgrading employee skills and transition assistance programmes	Investing in our employees	88-91
404-3	Percentage of employees receiving regular performance and career development reviews	Investing in our employees	88-91
Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Investing in our employees	88-91
405-2	Ratio of basic salary and remuneration of women to men		N/A
Non-Discrimination			
406-1	Incidents of discrimination and corrective actions taken		N/A
Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		N/A
Child Labour			
408-1	Operations and suppliers at significant risk for incidents of child labor		N/A
Forced and Compulsory Labour			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		N/A
Security Practices			
410-1	Security personnel trained in human rights policies or procedures		N/A

Rights of Indigenous People			
411-1	Incidents of violations involving rights of indigenous peoples		N/A
Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or impact assessments		N/A
412-2	Employee training on human rights policies or procedures	Investing in our employees	88-91
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		N/A
Local Communities			
413-1	Operations with local community engagement, impact assessments, and development programmes	Direct Contributions to society	93-98
413-2	Operations with significant actual and potential negative impacts on local communities	Direct Contributions to society	93-98
Supplier Socio Assessment			
414-1	New suppliers that were screened using social criteria		N/A
414-2	Negative social impacts in the supply chain and actions taken		N/A
Public Policy			
415-1	Political contributions		N/A
Customer health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories		N/A
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		N/A
Marketing and Labeling			
417-1	Requirements for product and service information and labeling		N/A
417-2	Incidents of non-compliance concerning product and service information and labeling		N/A
417-3	Incidents of non-compliance concerning marketing communications		N/A
Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		N/A
Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area		N/A

CORPORATE GOVERNANCE

Board of Directors

Japheth Kato [70]
INED

Board Chairman SUHL
APPOINTED 2014
BCom Honours, FCCA CPA - Uganda
Committee: Nomination and Remuneration

Olusola Adejoke David-Borha [61]
NED

Non- Executive Director
Advanced Management Program, Harvard Business School; Global CEO Program of CEIBS, Wharton and IESE
APPOINTED 2019
Committee: SBUL Risk Management (C/M)
Asset and Liability

Patrick Mweheire [51]
NED

Non-Executive Director BSc (Econ, Daemen) MBA (Harvard)
APPOINTED 2012
Committee: SBU Credit (C/M), Asset and Liability (C/M), People and Culture
SUHL-Nomination and Remuneration

Andrew Mashanda [51]
ED SUHL

Chief Executive SUHL
BSc Accounting
Univ. of South Africa PGD Global Management
APPOINTED 2020
Committee: None

Prof. Patrick Mangheni [69]
INED

Board Chairman, SBUL
PhD Functional Analysis (Oxford)
APPOINTED 2015
Committee: None

Anne Juuko [40]
ED SBUL

Chief Executive, SBUL
BCom MUK, MBA. Strategic Planning Edinburgh Business School
APPOINTED 2020
Committee: Credit, Risk, Asset and Liability

Emma Mugisha [48]
ED

B.SWASA, MUK
MBA, Rotterdam
APPOINTED: 2020
Committee: Risk and Asset and Liability

Damoni Kitabire [63]
INED

M.Sc. degree (Finance) from Strathclyde University, Glasgow (UK), Diploma (National Economic Planning) from Central School of Planning Warsaw (Poland) and Bachelor of Arts degree (Economics) from Makerere University.
APPOINTED: 2021
Committee: Audit and Risk

Eva Grace Kavuma [59]
INED

BSc Business Administration (Ithaca, New York), MA Interntional Management (Thunderbird, Arizona)
APPOINTED: 2016
Committee: Audit, People and Culture (C/M)

Samuel Zimbe [69]
INED

MA Finance and Investment, ACCA
APPOINTED 2017
Committee: C/M, Audit and Risk

Josepha T. Ndamira [41]
INED

B. Comm (Accounting). Makerere University
MBA Edinburgh Business School (Heriot Watt University).
Fellow of the ACCA(UK)
APPOINTED 2019
Committee: C/M, Audit

Elizabeth K. Ntege [52]
INED

BSc.Eng (Hons),
De-Montfort University UK. Business Incubation Management, African Business Incubation Institute, SA, Bullet Proof Management and Leadership, Crestcom International USA Certified Network Associate and Professional, Cisco Systems Inc-UK
APPOINTED 2019
Committee: Credit, People and Culture, Risk

Agnes Konde [49]
NED

Board Chairman SBGS
Non-Executive Director SUHL
BA(SS), MUK
MBA Univ of Liverpool
APPOINTED 2020
Committee: SUHL Audit and Risk, and Board Nominations and Remuneration

Candy Wekesa Okoboi [51]
NED

Board Chairman Stanbic Business Incubator
Non-Executive Director, SBG Securities Limited
L.L.B MUK; PGD.L.P, LDC
MBA, Edinburgh Business School
APPOINTED: 2020

Tony Okao Otoa [40]
ED STANBIC INCUBATOR

Chief Executive Stanbic Business Incubator
LLM Oxford Brookes, BSc International Relations and Communication and Media, Oxford Brookes
APPOINTED: 2020

Catherine Poran [51]
NED

Stanbic Business Incubator,
Ongoing MBA (Heriot-Watt University Edinburgh)
PGD Business Management, LLM, Buckingham University
APPOINTED: 2020

Samuel Fredrick Mwogeza [40]
NED

Board Chairman
Stanbic Properties Limited
B.Comm (Acc.) MUK, MBA, Edinburgh Business School, CPA - Uganda FCCA
APPOINTED: 2020

Patricia N. Musiime [42]
NED

Stanbic Properties Limited
BA(SS), MUK, MBA Nkozi
APPOINTED: 2020

Spencer Sabiiti [37]
ED STANBIC PROPERTIES

Chief Executive Stanbic Properties Limited
Ongoing MBA (Edinburgh Business School), PGD Construction Project Management MUK, BSc. Quantity Survey MUK Professional Member, Institute of Surveyors of Uganda, Member of the International Organisation of Health and Safety, UK
APPOINTED 2020

Joram Ongura [35]
ED SBG Securities Uganda

Chief Executive SBG Securities Uganda Limited
SITI East Africa
APPOINTED 2021

Dr. Haruna Mawanda [46]
NED

Flyhub Uganda Limited (C/M)
PhD IT, Capella University, Minneapolis, MN, USA Certified Information Systems Auditor
APPOINTED: 2020

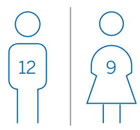
Joel Muhumuza [36]
ED FlyHub

Chief Executive, Flyhub Uganda Limited
Master of Business Administration (Hons), Bachelor of Commerce (Hons)
APPOINTED: 2021

- Stanbic Uganda Holdings Limited
- Stanbic Bank Uganda Limited
- Stanbic Properties Limited
- Stanbic Business Incubator Limited
- SBG Securities Uganda Limited
- FlyHub

C/M Committee Chairman

Male **Female**



SBU Executive Committee

Anne Juuko

Chief Executive
Joined the Bank: 2012
Joined EXCO: 2020

Emma Mugisha

Head Business and Commercial (BCC)
Joined the Bank: 2013
Joined Exco:2018

Samuel Mwogeza

Head Consumer & High Networth (CHNW)
Joined the Bank:2010
Joined Exco: 2015

Paul Muganwa

Head Corporate and Investment Banking(CIB)
Joined Bank: 2014
Joined EXCO: 2021

David Mutaka

Head, People and Culture (P&C)
Joined the Bank: 2010
Joined EXCO: 2020

Candy Wekesa Okoboi

Head, Legal
Joined the Bank: 2016
Joined Exco: 2016

GladysMuchae

Country Head, Credit & CIB Uganda
Joined the Bank: 2017
Joined Exco: 2017

Martin Sekaziga

Chief Risk Officer
Joined the Bank: 2019
Joined Exco: 2019

Barbara Dokoria

Head, Compliance
Joined the Bank: 2003
Joined Exco: 2018

Miriam Naigembe

Head Client Solutions
Joined the Bank: 2013
Joined EXCO: 2021

Ronald Makata

Ag. Chief Financial Officer
Joined the Bank: 2012
Joined EXCO: 2021

Rita Kabatunzi

Company Secretary
Joined the Bank: 2018
Joined EXCO: 2018

Elijah Kitaka

Head Engineering
Joined the Bank: 2021
Joined EXCO: 2021

Howard Edaffe

Ag. Head Audit
Joined the Bank 2021
Joined EXCO 2021

Daniel Ogong

Head Marketing & Communications
Joined the Bank: 2017

Samuel Isiko Bulenzi

Head Data Enterprise Office
Joined the Bank: 2020

Yvonne Wamukota Namutosi

Country Head, Salesforce
Joined the Bank: 2017

SUHL Executive Committee

Andrew Mashanda

Chief Executive SUHL
Joined SUHL: 2020

Rita Kabatunzi

Company Secretary
Joined SUHL: 2020

Sophie Achak

Investor Relations and Strategy
Joined SUHL: 2020

Spencer Sabiiti

Chief Executive Stanbic Properties Limited
Joined SUHL: 2020

Tony Okao Otoa

Chief Executive Stanbic Business Incubator
Joined SUHL: 2020

Joel Muhumuza

Chief Executive, Flyhub Uganda
Joined SUHL: 2021

Joram Ongura

Chief Executive SBG Securities Uganda Limited
Joined SUHL: 2021

Corporate Governance Statement

2021 continued to test the resilience, responsiveness and robustness of our governance practices given the effects of the Covid-19 pandemic. Through it all, the Board upheld the highest corporate governance standards. It effectively provided oversight to management to assist our clients and the economy through the ongoing recovery process. The Corporate Governance Statement sets out the governance framework adopted by Stanbic Uganda Holdings Limited, Stanbic Bank Uganda Limited, which remains the largest subsidiary and the beyond-banking subsidiaries, jointly referred to as Stanbic Uganda. The framework ensures that Stanbic Uganda operates a sustainable business to benefit all stakeholders. This statement highlights how the key elements of good governance were applied during the 2021 financial year.

Corporate Structure

Stanbic Uganda Holdings Limited (SUHL/the Company) is a non-operating holding company listed on the Uganda Securities Exchange (USE) with 22,469 shareholders as of December 31st, 2021. 80% of the shares are owned by Stanbic Africa Holdings Limited (SAHL), a private limited liability company incorporated in the United Kingdom which is wholly owned by Standard Bank Group (SBG), a South African financial services company listed on the Johannesburg Stock Exchange (JSE). Institutional and retail shareholders hold 20%. Key shareholder information is covered on page 218. SUHL wholly owns five subsidiaries spread across various industries in banking, real estate, stock brokerage, software development and non-profit. The corporate structure aligns with SUHL's vision to be the leading digital platform services organisation in, for and across Uganda through leveraging the eco-systems across the different subsidiaries to create strategic partnerships, digitise processes, and diversify our services, thereby guaranteeing superior quality customer experience and operational excellence.

The different subsidiaries include Stanbic Bank Uganda Limited (the Bank/SBU), Stanbic Properties Limited (SPL), Stanbic Business Incubator Limited (SBIL), Flyhub Uganda Limited (Flyhub) and SBG Securities Uganda Limited (SBGs). The SUHL corporate structure is shown on page 7, while our governance approach to value creation is shown on page 24.

Evolving Role and Culture

The operationalising of the beyond banking subsidiaries and the continued effects of the Covid-19 crisis emphasised the importance of corporate governance in ensuring the delivery of our strategy in the fast-evolving environment. The Board of directors, in carrying out its oversight responsibility, continued to ensure that the highest standards of corporate governance were maintained by emphasising the importance of transparency, accountability, adequate controls, good performance, integrity, and sound ethical culture. The Board is guided by the articles of association, subsidiary governance framework, and board mandate, which articulate matters reserved for the Board.

The approach to the fulfilment of the Board's role in ensuring short and long-term success of the company evolved into a greater collaboration with management to resolve the immediate challenges caused by the second wave of the pandemic, such as ensuring employee health and safety, review and approval of credit terms for the worst-hit businesses. The Board demonstrated its leadership in its availability, accessibility, agility and courage to make critical decisions and devote more time to oversight and timely approvals.

From a beyond-banking subsidiary perspective, the Board focused on ensuring that all subsidiaries were fully operational and that the respective strategies were aligned to the SUHL vision to create and leverage the synergies across all entities. This was achieved by including a standing agenda item in the quarterly board meetings on the key milestones and activities related to the subsidiaries. The Board ensured that the same standard of board practices and quality of reporting was adopted and implemented across the different subsidiaries to the extent applicable and per the subsidiary governance framework. In performing its role, the Board, through the Nomination and Remuneration Committee, was central in identifying and recruiting the SBGS Uganda and Flyhub Chief Executives.

In support of the future-ready transformation (FRT) journey, the Board approved the operational model and organisational structure changes critical to converting to a platform business. The approved changes would accelerate the digital transformation journey and unlock value by creating new opportunities within Stanbic Uganda's eco-system. Every quarter the Board was updated on the progress made by the different 'future-ready' workstreams, which were then considered, debated, and challenged to balance the FRT strategy and the current business priorities.

Additionally, the Board provided effective oversight of the change management process, which included: Close monitoring and driving of organisation culture changes to align with the strategic changes, filling vacant executive management positions essential in the delivery of the FRT strategy. Additionally, there was increased attention to the emerging risks arising from the change. To further strengthen this oversight role, considerations have been made for the creation of an Engineering committee which will support the Board in setting and achieving its strategic objectives from a digital transformation perspective

The traditional key responsibilities of the Board remained as follows:

- Sets the strategic direction and provides entrepreneurial leadership.
- Sets organisational values to drive culture and ethics and oversee the implementation of the company vision, mission, strategic objectives and corporate values.
- Approves and reviews policies for appropriateness to the business.
- Approves budgets and financial statements considering best practices on integrity and accuracy. Ensures an effective risk management system and a robust internal control environment.
- Appoints and sets the remuneration for executive management.
- Ensures requisite financial and human resources are in place for the company to meet its obligations.
- Recommends to the shareholders director appointments and remuneration. The Board monitors the implementation of strategy and tracks performance against agreed strategic value drivers.

The details of the strategic focus for the year are articulated in the Chief Executive statement on page 18.

Delegation of Authority

The Board has overall responsibility for the organisation and is accountable for its performance. The Companies Act provides that the directors must promote the company's success, exercise independent judgment, reasonable care, skill and diligence, act in the company's best interests, and avoid/declare any conflicts of interests.

To assist the Board in effectively discharging its duties, the Board, through the board mandate and delegation of authority framework, delegates its authority to the board committees and management respectively with clearly defined terms of reference while ensuring accountability through quarterly reports to the Board and via digital means in between quarterly meetings.

The day-to-day business and affairs of the company have been delegated to the Chief Executive through the delegation of authority framework, which guides management in the exercise of powers and provides thresholds for the exercise of authority. This framework determines the levels of delegation across the different levels of management and is reviewed annually to ensure that it is fit for its purpose. A culture of operating within the authority granted is emphasised with oversight on approval limits performed by the Chief Financial Officer and the Company Secretary. An Executive Committee Mandate is in place to ensure operation with the delegated authority.

Delegation of authority at a board committee and management level has facilitated the utilisation of expertise and ensured that critical functional areas are adequately resourced and headed by competent individuals allowing the Board to focus on matters reserved for decision making. Additionally, it has successfully aided succession planning through the Board, granting Executive Management the opportunity to develop the required technical and leadership skills and experience.

Regulatory and governance framework

The SUHL corporate governance approach is guided by the Capital Markets Authority (CMA) Corporate Governance Guidelines, USE Listing Rules, 2021, Companies Act 2012, the Financial Institutions Act (Corporate Governance) Regulations, 2005, King IV Report on Corporate Governance (King IV Code) as adopted by the Standard Bank Group, the articles of association of each entity and other recognised best practices in Corporate Governance. This comprehensive framework facilitates adherence to good governance practices across SUHL and its subsidiaries. It enables the Board to effectively fulfil its mandate, as evidenced by the numerous accolades and recognitions received for good governance at a company and non-executive director level.

The company abides by the USE Continuing Listing Obligations which are essential in ensuring transparency and fairness through timely, simultaneous access to information, thereby guarding against insider trading and promoting investor confidence. In 2021, SUHL and the Bank reviewed selected CMA regulations and draft Bank of Uganda Corporate Governance Guidelines with input provided by the Board of directors. The proposed amendments aimed to bring the regulations and guidelines up to speed with the financial services industry developments. The USE enacted amended rules related to the listing, trading, fees, charges, and penalties during the same period.

Beyond the regulatory framework, the Stanbic Uganda governance culture is grounded in the fundamental tenets of good corporate governance: accountability, transparency, ethics, disclosure, fairness, and social responsibility, which have been embedded through the subsidiary governance and policy framework.

Subsidiary Governance Framework and Policy Framework

Across SUHL and its subsidiaries, the highest standards of good corporate governance have been set, standardised and articulated in the subsidiary governance framework, board and committee mandates and policies. The subsidiary governance framework considers the requirements of the King IV Code, the Basel Corporate Governance Principles for Banks and developments in corporate governance. This framework guides the relationship and exercise of power between SUHL and its subsidiaries, and the powers of the Board and Management articulated in the mandates for each subsidiary board, hence providing a yardstick for effective subsidiary governance.

Through the subsidiary governance framework and board mandate, the SUHL board has provided stewardship on the governance of the recently created subsidiaries to the extent that it doesn't contravene any specific industry regulations. This includes guiding the subsidiaries' organisational culture, structure, and strategies while reserving certain powers for the holding company. This has offered adequate oversight over the subsidiaries while maintaining the subsidiary boards and management's independent legal and governance responsibilities.

The governance framework is supported by a policy framework comprised of policies adopted by the subsidiaries as relevant and applied according to the articles of association of the respective subsidiaries. As a practice, the subsidiary governance and policy framework is adopted by all subsidiaries but adapted to the unique circumstances of each subsidiary, ensuring disciplined execution of the organisational purpose and strategy

Board Size and Composition

The Board composition is reviewed annually for appropriateness of skillset, experience, tenure independence and diversity of members to ensure that the respective boards under Stanbic Uganda operate effectively. Both the Stanbic Uganda Holdings and Stanbic Bank Boards are comprised of Executive and Non-Executive Directors (NED), the majority of whom are Independent NEDs, including the Board Chairpersons. The board size is appropriate to facilitate effective discharge of responsibilities and mandates, including at the committee level, to ensure productive meetings. This composition provides a balance of power so that no individual or group dominates discussion or decision making.

In 2021, the director appointments aimed to enhance board effectiveness by ensuring a diversity of skills, experience, thought, and perspective. The directors have a wealth of knowledge, experience and diverse skills in international banking, risk management, accounting/audit, digital/IT, entrepreneurship and leadership of large organisations/regulated entities required to enable the Board to discharge its duties and responsibilities effectively.

The Non-Executive Directors bring their independent judgement to bear on issues of performance and delivery of strategy across the different business units hence constructively challenging the executive directors' delivery of strategy within the risk and governance structure agreed by the Board. Gender diversity on the Board is demonstrated with 67% and 33% female representation at SBU and SUHL, respectively. This diversity in skills and gender has facilitated strategic innovation and the development of sustainable solutions for the organisation.

Stanbic Uganda continued separating the board members of Stanbic Uganda Holdings Limited and Stanbic Bank Uganda, with only two non-executive directors (common directors) double-hatting by the end of 2021. This also included the separation of the board chairpersons of the two entities. The separation of the boards has enhanced the independence and objectivity of the two boards and enabled the respective directors to commit adequate time and focus on conducting their responsibilities. On the other hand, the common/double-hatting directors provide a helpful connection between the boards by facilitating information flow and offering perspective and context to board discussion and decision-making, therefore, contributing to the effectiveness of the different boards.

The beyond-banking subsidiaries are still in their infancy stages; therefore, the boards have been structured to effectively discharge their responsibilities by utilising the specialised skills and experience of selected Executive Management members appointed as NEDs in the short term to provide strategic leadership and oversight. This approach to board structuring continues to be reviewed for fitness of purpose as the different businesses mature and in line with regulatory guidance. Management has, however, put in place a conflict-of-interest framework to mitigate against any actual or potential conflicts of interest that may arise associated with the loss of objectivity required in making decisions in the best interests of the subsidiaries. A phased approach has also been adopted to facilitate the smooth transition of the beyond-banking boards to independent boards. This approach will minimise disruption across the subsidiaries as the respective boards become independent.

Table 1: Board composition of Stanbic Uganda Holdings and its Subsidiaries as of December 31st, 2021

Classification	SUHL	SBU	SPL	SBIL	SBGS	Flyhub
Non-Executive Directors	2	2	2	2	1	1
Independent Non-Executive directors	3	5	-	-	1	-
Executive Director	1	2	1	1	1	1

Board Changes (Director Appointments, Resignations and Rotation)

In line with our articles of association and best practice, the Board has adopted a staggered approach to board rotation to invigorate its capabilities by introducing members with new expertise and perspectives while retaining valuable knowledge, skills and experience and maintaining continuity. The articles of association stipulate that one-third of the non-executive directors are required to retire annually and, if available and eligible, stand for re-election at the AGM. Directors who have been in office the longest are calculated from the last re-election or appointment date and must stand for re-election.

Changes to the Board in 2021 were as follows: Mr Patrick Mweheire was appointed to the boards of SUHL and the Bank as a Non-Executive Director, while Ms Sola David-Borha and Mr Damoni Kitabire were appointed to the Bank board. As part of the transitionary process of separating the SUHL and Bank board, Ms Eva G. Kavuma and Prof. Patrick Mangheni resigned from the SUHL Board, while Mr Japheth Katto resigned as the Chairperson and Director of the Bank. Prof. Patrick Mangheni was subsequently appointed as the Bank Board Chairman. Shareholder approval of Mr Damoni's appointment will be sought at the Bank AGM scheduled for June 3rd, 2022.

Succession Planning and Director Recruitment

Per the director succession policy, the Board has adopted a continual approach to reviewing and refreshing its succession plan to ensure alignment with the organisation's strategy and identify candidates with the skills, experience, and knowledge required to further the vision and strategic direction of the organisation. The Director recruitment process is a formal, rigorous and transparent procedure that involves both the internal and external vetting of candidates. A director pool of suitable board candidates is developed, and candidates are selected to fill identified actual and potential gaps informed by the skills matrix, updated annually. Selected candidates are interviewed and recommended to the Board for approval by the Board Nomination, and Remuneration Committee and the appointments are confirmed at the AGM. From a bank perspective, the selection, recruitment and recommendation of directors are conducted by an ad-hoc committee of 3 directors comprised of the Board Chairman, Regional Chief Executive and Chief Executive. The Financial Institutions Act requires that directors nominated for appointment to the bank board are subjected to a 'fit and proper test' to assess their competence and capacity to fulfil their responsibilities.

In 2021, the succession plan was pivotal in identifying Prof. Mangheni as a suitable replacement for Mr J. Katto as board chairman of the Bank and the appointments of Mr Damoni Kitabire and Ms Sola David-Borha to the Bank board based on the identified skills required. The Succession planning process to appoint additional directors to the boards of SUHL and the different subsidiaries based on the leadership needs of each of the entities is underway and on track.

Through the SUHL Board Nomination and Remuneration Committee, the Board monitors the succession planning across the SUHL structure to the extent applicable. It makes the necessary recommendations to the respective Boards. The Committee has continued to promote diversity and inclusion in the succession plan, resulting in various initiatives to nurture the next women leaders in the organisation. As part of succession planning, the Board has supported initiatives that strengthen the pipeline of executive talent and provided development opportunities to drive the quality of talent through selected executive committee members serving on the boards of the beyond banking subsidiaries as directors.

Director Induction and Board Development

Continuing board development remains an area of focus to ensure that the directors possess the skills and knowledge necessary to respond to changes in the business environment. The professional development program is tailored to the company's and individual board members' needs. It seeks diverse views from internal and external industry experts and international expertise available within Standard Bank Group. The trainings were focused on risk culture, ESG cyber risk resilience, leadership, Board effectiveness, client focus, crisis and change management, innovation, creativity, and leveraging networks. Joint board training sessions were held for topics applied to the different subsidiaries. This facilitated peer-to-peer learning and sharing of information, which broadened the Directors' knowledge of various matters across the holding company and its subsidiaries.

The Board maintained Director reverse mentorship to enhance board development, which aims to build the directors' capability and equip the Board with the in-depth knowledge required to drive critical technical matters. The reverse mentorship sessions continued to bridge information gaps in reporting by providing a platform for the directors to interact with technical and front-facing teams who can be a valuable source of information beyond the boardroom. This has fostered a culture of agility and willingness to learn and increased effectiveness in the oversight role for the Board as a whole, equipping the Board with greater confidence to constructively challenge and make informed decisions.

Topics covered in the 2021 board development program included, among others: cyber resilience, emerging risks from oil and gas opportunity, ESG, Climate change, fintech regulatory developments, asset, liability and capital management, anti-money laundering and counter-terrorism financing. The directors were also kept abreast of applicable legislation and regulations, changes to rules, standards, codes, and relevant sector trends.

The newly appointed directors underwent an induction programme which involved meetings with the Board Chairman, Regional Chief Executive, Chief Executive and executive management to understand the company operations. The directors also received induction packs that contained relevant governance information such as memorandum and articles of association, governance framework, Board and Committee mandates, organisational structures, significant reports and essential legislation and policies. The remainder of the induction programme was tailored to each new director's specific requirements.

Board Evaluation

The Board continued the practice of an annual assessment of the Board, committees, individual Non-Executive directors, Chairpersons, the Chief Executive, Executive Director, and the Company Secretary. Board evaluation strengthens board effectiveness by identifying areas that require a change to steward the company into the future effectively. The company facilitated the process under the board chairman's guidance.

In line with recommended best practices, the focus was on strategy, risk, people, process, and culture in recognition that governance relates both to process and behavioural aspects. The evaluation covered a broad range of topics such as:

- Strategy oversight and risk management
- Board composition and succession planning
- Board dynamics and stakeholder management
- Board processes and practices
- Effectiveness of the Board, committees, and individual Directors.

The overall average rating was excellent. The areas of high satisfaction included: the Board's understanding of the strategy, its duties and responsibilities, the depth and diversity of the skills and experience of the Board and its relationship with management and the continuous director development. The directors were also satisfied that the Board had the appropriate structures and processes to respond to the challenges arising from the covid-19 pandemic.

Identified areas of improvement included: the need for more focus on effective management of emerging risks, organisational culture and succession planning. Creation of a Board Engineering Committee to drive the digital transformation journey and enhance internal controls and timely consequence management. The director's findings and recommendations inform the board evaluation action plan, which the Board reviews quarterly to monitor progress in addressing the identified areas.

Areas arising from the previous evaluation that were resolved included: alignment of the strategy with the future-ready transformation ready, the introduction of quarterly NED closed door sessions, enhancement of the board development program on emerging matters, review of conduct related policies, adoption of integrated risk reporting, creation of Environmental, Social and Governance (ESG) unit to focus on ESG matters.

Following the presentation of the board evaluation results at the board meeting, the Board Chairperson met with all directors and the company secretary to discuss individual assessments as a critical step to improving their effectiveness. The assessment findings informed the 2022 training and development plan and the annual review of the Board and committee composition. The Board is satisfied that it fulfilled its responsibilities per its mandate for the year 2021.

Board Committees

The Board delegates some of its responsibilities to the Board committees in line with the Board mandate but remains ultimately accountable to shareholders. The Board committees allow the Board to divide its work into manageable sections and facilities in-depth, considering specific issues that require specialised areas of expertise. Therefore, the Board can tap into the particular skills, knowledge, and experience of the directors, hence contributing to the Board's overall effectiveness. It is also a means to enhance board objectivity and independent judgement in critical areas such as oversight controls, remuneration, people and culture, and director nomination.

Each of the committees has a mandate, approved by the Board and reviewed annually for relevance and appropriateness, considering changes in the legal, regulatory framework, governance best practices and trends in the business environment. These mandates set out roles, responsibilities, the scope of authority, composition, and procedures.

The committees meet at least once every quarter to consider, discuss, and challenge management reports. At each board meeting, the committee chairpersons then report to the Board on committee activities with recommendations to consider and approve where required.

A. Stanbic Uganda Holdings Limited

Due to the non-operating nature of the holding company, the SUHL Board operates with only two board committees: The Audit and Risk Committee and the Board Nomination and Remuneration Committee, in line with the Capital Markets Authority Corporate Governance Guidelines.

Board Audit and Risk Committee

The Committee is comprised solely of independent Non- Executive Directors. To safeguard the independence of the Audit Committee chairperson, he does not sit on any other committee as a member. The Committee assists the Board with discharging its responsibility to develop and maintain effective internal control systems, safeguard the company's assets and maintain adequate accounting records. The Committee reviews the company's financial position and makes recommendations to the Board on all financial matters, internal financial controls and risks relevant to the holding company. This includes assessing the integrity and effectiveness of accounting, financial compliance, and control systems.

In discharging its responsibilities during the year, the Committee's activities focused not only on the common areas of responsibility but also on continued monitoring of the impact of the Covid-19 pandemic on the financial performance. The Committee, every quarter, reviewed the internal audit findings in response to the increased inherent risk profile and reviewed the measures taken to ensure the internal financial control environment remained resilient despite the impact of the pandemic on the operating environment.

From an interim and financial year-end reporting perspective, the Committee reviewed the accounting approach adopted to determine the forward-looking impact of the pandemic on credit provisions and considered the external audit's findings of managements estimation of the effects of the pandemic on the consolidated annual financial statements. The Committee also reviewed the quality and integrity of the financial statements. It satisfied itself that the appropriate accounting principles had been adopted per the International Financial Reporting Standards and that the disclosures in the financial statements were clear, complete and well contextualised as per the provisions of the Financial Institutions Act and the Uganda Securities Exchange Limited. This Committee closely worked with the Head of finance to consider the robustness of internal financial and operational controls and systems in light of the pandemic, including internal controls over financial reporting to ensure the integrity of the qualitative and quantitative financial information presented in the financial statements.

The Committee oversees the relationship between the External Auditor and the rest of the company, including annual reporting to the Board, recommendations to the Board on the appointment/re-appointment of external auditors, annually assessing and reporting to the Board on the qualification, expertise and independence of the external auditors and the effectiveness of the audit process with a recommendation on whether to propose to shareholders that the external auditors be re-appointed

Nomination and Remuneration Committee.

This Committee was established at the end of 2020 and held its first meeting in Q1 2021. It comprises of mainly independent Non- Executive Directors and is chaired by the Board Chairperson. The Committee is responsible for proposing new nominees to the Board, reviewing the board composition and recommending to the Board for approval the remuneration of non-executive directors and executive/ senior management. Its mandate applies to the SUHL and all subsidiaries to the extent that it is aligned with any subsidiary-specific regulatory/statutory requirements.

In discharging its responsibilities in the committees' terms of reference, key focus areas of the Committee for the year under review included providing oversight in the selection and nomination of the Chief Executives for SBG Securities and Flyhub Uganda. Reviewing the fees paid to non-executive directors to ensure it was proportional to director expertise, required time commitments and responsibilities.

B. Stanbic Bank

In the reporting year, the Bank Board comprised five standing committees: Audit, Risk management, Credit, People and Culture (formerly Human capital) and the Asset and liability committee. Following the different board changes during the year, the composition of the board committees was reviewed based on the skills and expertise of the various directors.

Board Risk and Management Committee

The Board has ultimate responsibility for risk management. The Board Risk Management Committee (BRMC) assists the Board in discharging this responsibility by ensuring that the Banks risk management system is robust, reliable and constantly up to date to identify emerging and principal risks. The Committee provides independent and objective oversight of risk management and makes relevant recommendations for the Board's improvement. BRMC reviews and assesses the integrity of the risk control systems and ensures that risk policies and strategies are effectively-identified, managed, and monitored to contribute to a climate of discipline and control, which will reduce the risks faced by the Bank in all areas of operation.

Consistent with the above principles, the Committee continued to play a significant role in assessing the impact of the pandemic and the emerging risks to the Banks' financial and non-financial risk profile. Risk reporting to the Board was enhanced by adopting an integrated risk reporting approach, which enabled the Committee to satisfy itself with the adequacy, robustness, and resilience of the risk management frameworks and the business continuity plans in place. Every quarter and in between meetings, the Committee considered management updates and reports on events that were expected to impact the company's risk profile and management's mitigating actions, which guided the Committee's decision-making process. Key risks considered by the Committee included: strategic, operational, credit, liquidity, cybersecurity, and reputational risks.

The BRMC recommended that the Board approve the risk appetite statement, ensuring that the risks the Bank is willing to take are aligned to the Bank's strategy and consistent with the fiduciary responsibility to the different stakeholders, ensuring transparency and consistency.

The Board Risk Management and Audit committees work in partnership with an expected overlap in duties; however, the committee chairs work closely to avoid duplication. The Committee, like the Audit Committee, is reliant on the three lines of the defence model for assurance of effective risk management. The first/front line functions determine and advise on risk impact on clients, operational processes and strategies, existing and/possible vulnerabilities, and threats. The second line, risk and compliance function, ensures policies and standards are in place to meet regulatory requirements and effectively operate first-line processes and controls. The internal audit function and external auditors are the third lines that assess the overall effectiveness of the activities of the other two lines in managing and mitigating risks.

The Committee is comprised of a majority of independent Non-Executive Directors. Attendees of the BRMC meetings include The Chief Risk Officer, Head Compliance, Head Legal and Chief Information Officer. The Committee complied with its mandate for the year under review and its legal and regulatory responsibilities. A comprehensive risk management report is provided on page 46, which sets out the risk and capital management framework.

Board Audit Committee

The Committee is comprised of a majority of Independent Non-Executive Directors. The Audit Committee Chairperson does not sit on any other committee as a member to safeguard her independence; however, she attends the BRMC meetings as an observer for a holistic understanding of the different risks faced by the Bank.

The Committee assists the Board with discharging its responsibility to develop and maintain effective internal control systems, safeguard the company's assets and maintain adequate accounting records. The Committee reviews the Bank's financial position and makes recommendations to the Board on all financial matters, internal financial controls, fraud, and IT risks relevant to financial reporting. This includes assessing the integrity and effectiveness of accounting, financial compliance, and control systems.

The Committee is responsible for the internal control framework, which combines the Bank's three lines of defence model with the corporate governance framework. As part of the three lines of defence, the audit, risk and compliance functions provide reports for review and discussion as part of monitoring effectiveness. More detail on the approach to risk management is provided in the risk and capital management section on page 46.

In discharging its responsibilities as set out in the Committee's terms of reference, the Committee's activities in 2021 did not only focus on common areas of responsibility but also the continued focus on areas that emerged as a result of the covid-19 pandemic, which included: A review of measures taken to ensure the internal financial control environment remained resilient, approval of internal audit plan, the quarterly review of the enhanced combined assurance aimed at strengthening the risk and control oversight of the business processes. The Committee also reviewed the internal audit reports related to satisfactory and unsatisfactory audits completed, the status of outstanding audit items and, where necessary, the respective heads of the unit were invited to attend meetings to present an update on the closure of overdue audit findings.

As part of the interim and financial year-end reporting process, the Committee reviewed the accounting approach adopted to determine the forward-looking impact of the pandemic from an IFRS 9 perspective on the Bank's credit provisions and considered the results of the external audit's review of managements estimation of the impact of covid-19 on the Bank's annual financial statements.

The Committee also ensures effective communication between the Board, internal auditors, external auditors, management, and regulators. The Committee has a constructive relationship with the Head Internal Audit, who reports directly to this Committee which ensures the independence of the Internal Audit function. The Head Internal Audit compiles quarterly reports on gaps and weaknesses in controls that have been identified, including financial controls. The Head Internal Audit interacts with the Committee Chairperson outside of the meetings to discuss audit matters and briefs the Chairperson on critical issues ahead of Committee meetings.

Following the Financial Institutions Act provisions, the Committee recommends for approval the appointment of external auditors taking into consideration the auditor firm profile and the quality of expertise on core aspects of its business and overseeing their relationship with the shareholders, including annual financial reporting.

This Committee considers whether internal financial and operational controls and systems are robust, including internal control over financial reporting to ensure the integrity of qualitative and quantitative financial information. The Chief Financial Officer is ultimately responsible for implementing and maintaining internal financial controls. The Board relies on this Committee to satisfy itself with the accuracy and integrity of financial information, including the annual audited and half year unaudited financial accounts.

The Audit Committee meetings are attended by the Head Internal Audit, Chief Financial Officer, Chief Executive and External Auditors. The other Executive and Non-Executive Directors and members of executive management participate by invitation.

The Audit Committee complied with its mandate in the year under review, as well as its legal and regulatory responsibilities, which among others, included assessment and recommendation to the Board for approval; the re-appointment of Pricewaterhouse Coopers as External Auditors, including negotiating fees payable, approval and monitoring progress of the 2021 Internal audit plan and assessment of the performance of the Head Internal Audit. The Committee also reviewed and recommended to the Board for approval the interim unaudited and final audited financial statements per the provisions of the Financial Institutions Act. Four scheduled meetings were held in the year with total attendance by the committee members.

Board Credit Committee

The role of this Committee is to ensure that effective frameworks for credit governance are in place to provide for adequate management, measurement, monitoring and control of credit risk, including country risk. It exercises oversight on behalf of the Board on all matters incidental to the company's credit and loan approvals, applications, and advances.

The Committee has the authority to approve all in house credit applications of directors, senior management and commercial credit applications up to the Bank's in-house lending limits. All commercial credits over the Bank in house limit are presented to the full Board of Directors for approval. The Committee reviews the strategies developed to achieve the credit and lending goals of the Bank and approves the Bank credit policies taking into account charges in applicable laws or regulations or as warranted by the changing economic and/or banking conditions.

In discharging its responsibilities as set out in the Committee's terms of reference, the Committee's activities in 2021 focused on continued oversight of the impact of the covid-19 pandemic on the credit portfolio, which involved: Review of forward-looking assessments of the macroeconomic outlook in the context of the effects of the pandemic on expected credit impairment, credit risk and capital and liquidity metrics. The Committee reviewed and approved the approach used to offer credit relief loan restructures to clients whose businesses were most impacted by the pandemic and monitored performing and non-performing loan portfolios. The Committee also reviewed the business models and credit risk appetite to reflect the changes in the operating environment and closely monitored credit performance across different sectors to identify areas of potential distress and mitigate identified credit risks.

Further detail on the management of credit risk is set out in the comprehensive risk management report on page 46.

Board People and Culture Committee

The Committee is responsible for the people and culture function and related policies. The Committee ensures that the people and culture strategy aligns with the overall strategy by ensuring that talent management plans and succession planning strategies are robust and up to date.

The Committee oversees the recruitment and compensation of executive and senior management and other key personnel to ensure that compensation is consistent with the company's culture, objectives, strategy and control environment. The Committee also ensures that the company develops and maintains compensation policies that will attract and retain the highest quality executives and senior managers and reward them for their progress and enhancement of shareholder value.

The primary focus of the Committee throughout 2021 was oversight on implementing the organisational restructure changes that created new client segments under the new operating model. This included filling the vacant executive management positions to enable the shift to a platform organisation. The Committee every quarter reviewed, constructively challenged, and provided guidance on implementing the change management strategy from a people and culture perspective.

The Committee continued to consider the appropriateness of Management's Covid-19 employee wellness plans. It ensured that sufficient safety measures and support were provided to employees working at the premises and at home to ensure that the business continuity needs were met.

The Committee supported employee-focused engagements such as staff townhalls, Leadership Speaker series and knowledge café series, and online courses intended to enhance talent growth in alignment with the organisational changes and professionally develop the employees to take up more leadership positions contributing to succession planning across the Bank.

The Committee supported the Board in exercising oversight on the steps taken to foster a culture of ethics and appropriate conduct and held management accountable in situations of conduct risk lapses.

The Committee comprises solely of Non-Executive Directors. The Chief Executive and Head of People and Culture attend the meetings by invitation. The Committee complied with its mandate for the year under review and its legal and regulatory responsibilities. Four scheduled board calendar meetings were held during the year; however additional special meetings were held to conduct interviews for the executive management positions.

Further details on the people and cultural practices are contained in the sustainability report on page 60.

Board Asset Liability Management Committee

The Committee is responsible for the board capital and asset-liability management function. It establishes guidelines on the Bank's tolerance for risk and expectations from investments, including, among others, limits on loan to deposit ratio and capital ratio and limits on maximum and minimum maturities for newly acquired and existing categories of assets. The Committee also reviews and approves the bank policies, procedures and holding portfolio to ensure that goals for diversification, credit quality, profitability, liquidity, community investment, pledging requirements and regulatory compliance are met and sets the guidelines on the capital position of the Bank and the capital management plans undertaken to ensure that capital levels are maintained following the risk appetite, business strategy and regulatory requirements.

The Committee's activities in 2021 were focused on ensuring that the Bank's capital and liquidity risk management frameworks were strengthened to mitigate the increased liquidity and capital risks associated with the impact of the pandemic, the transition to Basel II capital accord and from LIBOR. The Committee, every quarter, monitored and evaluated the Bank's liquidity and capital adequacy positions using scenario forecasts to ensure compliance with both internal and regulatory ratios and, where required, made recommendations to the Board on planned foreign currency funding initiatives. The Committee also reviewed the internal capital and Liquidity adequacy assessment processes.

The Committee comprises of both Non-Executive and Executive Directors and complied with its mandate for the year under review and its legal and regulatory responsibilities. Three meetings were held during the year.

Board Meetings

In 2021, most of the quarterly board meetings were conducted in a hybrid manner following the easing of the Covid-19 travel restrictions. The Board, however, continued to adhere to the Covid-19 standard operating procedures to ensure the safety of the board members and employees. Secure electronic meeting platforms were used to host the meetings and access the board papers. In addition to the quarterly meetings, two special meetings were held to discuss and approve the changes in board leadership and strategic direction. At a committee level, the People and Culture Committee met more regularly to conduct interviews to fill critical executive management positions as part of the organisational structure changes to align with the future-ready transformation strategy.

To ensure that the Board continued to focus on matters that required its attention, the agendas for the Board and committee meetings were quarterly reviewed while still ensuring that the Board kept sight of the longer-term issues that would impact the company. Standing items included in the agenda included: Updates on the implementation of the strategy, ESG framework and emerging risks.

Management was required, where necessary, to submit additional information to the Board that informed and guided the decision-making process.

Also included in the agenda of the holding company meetings were reports on key activities of the different subsidiaries during the quarter presented by the Chief Executive. The banking subsidiary's Chief Executive is a permanent attendee of the meetings, while the Chief Executives of the beyond subsidiaries are periodically invited to provide updates on ongoing vital projects. This approach to subsidiary reporting has facilitated information flow and adequate oversight of the subsidiaries by the holding company.

In line with best practice, management reports are circulated to the directors at least five days before the scheduled meeting to facilitate director preparedness. To achieve clarity and enhance board reporting, management must submit concise and focused reports on the required decisions. This enables the directors to internalise the main items for interrogation and ensures that the board decisions remain strategic and not operational. At the board meetings, the minutes of the previous meeting are approved and signed as an accurate record of the proceedings, while the minutes of the different subsidiaries are noted. A minute book is maintained and safely stored both physically and virtually.

The quality of discussions is sufficient to evaluate and interrogate Management thinking on the company's strategy, ensuring long-term success and sustainability. Board decisions are reached by consensus following discussion and debate. If the Board requires further consultation by management, decisions are deferred. Management is kept accountable for agreed actions arising from the meetings through an action log updated with progress discussed at the board meetings.

The Board Chairperson and Chairpersons at the committee level create a boardroom climate that fosters discussion through encouraging open debates, which allow the directors to challenge assumptions constructively. Attendance of meetings remained very good with the well-reasoned absence of directors. This ensured that the quorum was met and that the discussions and decisions were of high quality.

Table 1: Stanbic Uganda Holdings Limited Board and Committee Meetings and attendance in 2021

	Q1			Q2		Q3			Q4	Strategy
	February 10th & 11th			May 25th & 26th		August 03rd & 04th			October 27th	December 4th
Name of Director	**BARC**	**BNRC**	**Board**	**BARC**	**BNRC**	**Board**	**BARC**	**Board**	**Board**	**Board**
Japheth B. Katto (Chairman)	N/A	A	A	N/A	✓	✓	N/A	✓	✓	✓
Patrick Mweheire	N/A	✓		N/A	✓	✓	N/A	✓	✓	✓
Patrick J. Mangheni	✓	✓		N/A	N/A	N/A	N/A	N/A	N/A	N/A
Samuel Zimbe	✓	N/A	✓	✓	N/A	✓	✓	✓	✓	✓
Sola David-Borha	N/A	N/A	✓	N/A	N/A	✓	N/A	✓	✓	✓
Agnes Asiimwe Konde	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Andrew Mashanda	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Attendance **A** = Apology **NA** = Not Applicable **BARC**-Board Audit & Risk Committee **BNRC** – Board Nomination and Remuneration Committee										

Table 2: Stanbic Bank Uganda Limited Board and Committee meetings and attendance in 2021

Name of Director	Q1						Q2					
		February 09th & 10th				March 10th & 19th	May 25th & 26th					
	BPCC	BAC	BCC	BRMC	BOARD	Special meetings	BPCC	BAC	BCC	BRMC	BALCO	Board
Japheth B. Katto	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Patrick Mweheire	✓	N/A	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓
Sola David-Borha	N/A	N/A	N/A	N/A	✓	✓	N/A	N/A	N/A	N/A	N/A	✓
Patrick J. Mangheni	N/A	✓	N/A	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	✓
Eva G. Kavuma	✓	✓	N/A	N/A	✓	✓	✓	✓	N/A	N/A	✓	✓
Josepha T. Ndamira	N/A	✓	N/A	✓	✓	✓	N/A	✓	N/A	✓	N/A	✓
Elizabeth K. Ntege	✓	N/A	✓	✓	✓	✓	✓	N/A	✓	✓	N/A	✓
Anne Juuko	N/A	✓	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓
Emma Mugisha	N/A	N/A	N/A	✓	✓	✓	N/A	N/A	N/A	✓	✓	✓

	Q3						Q4						
	August 03rd & 04th						October 26th & 27th						Board Strategy Retreat December 4th
	BPCC	BAC	BCC	BRMC	BALCO	Board	BPCC	BAC	BCC	BRMC	BALCO	Board	
Patrick J. Mangheni (Chairman)	N/A	N/A	N/A	N/A	N/A	✓	N/A	N/A	N/A	N/A	N/A	✓	✓
Patrick Mweheire	✓	N/A	✓	N/A	✓	✓	✓	N/A	✓	N/A	✓	✓	✓
Sola David-Borha	N/A	N/A	N/A	✓	✓	✓	N/A	N/A	N/A	✓	✓	✓	✓
Eva G. Kavuma	✓	✓	N/A	N/A	N/A	✓	✓	✓	N/A	N/A	N/A	✓	✓
Josepha T. Ndamira	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	✓
Elizabeth K. Ntege	✓	N/A	✓	✓	N/A	✓	✓	N/A	✓	✓	N/A	✓	✓
Anne Juuko	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Emma Mugisha	N/A	N/A	N/A	✓	✓	✓	N/A	N/A	N/A	✓	✓	✓	✓
Damoni Kitabire	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	N/A	✓	✓

= Attendance: **A** = Apology: **NA** = Not Applicable: **BAC**-Board Audit Committee **BRMC**-Board Risk Management Committee **BPCC**-Board People and Capital Committee **BCC**-Board Credit Committee **BALCO**- Board Asset and Liability Management Committee

Stakeholder centricity

Our approach to corporate governance enables integrated thinking and decision making that balances the achievement of our strategic priorities and reconciles the interests of the company, stakeholders and the society in which we operate to create and maintain sustainable shared value. As an integral part of the society on which we depend for our licence to operate, we recognise our duty as responsible corporate citizens to act in a manner that benefits the community. Therefore, the Board has adopted an inclusive stakeholder approach that balances the different stakeholders' needs, interests, and expectations.

The Board, throughout the year, remained committed to creating a sustainable path that would benefit both the current and future generations by taking significant steps in delivering our Social, Economic and Environment (SEE) strategy. The Board approved the establishment of a sustainability unit to focus on the development of the long term SEE impact framework, which would be embedded into the business strategy and decision-making processes. The sustainability report on page 60. highlights the significant interventions in line with our commitment to our SEE and Environment, Social and Governance (ESG) priorities.

The offering of support to communities worst hit by the pandemic and ensuring the safety of employees remained a priority of the Board in 2021 while still staying within the three pillars that drive our Corporate Social and Investment (CSI) initiatives in education, health and environmental conservation encompassed in our SEE strategy. The Board actively took part in these different initiatives which, included among others: our flagship CSI programme, the Stanbic National Schools Championship, planting of trees with at least 150,000 trees planted across the country in a bid to redevelop Uganda's receding forest cover in partnership with National Environment Management Authority (NEMA) and various private sector players.

The Board also visited the Stanbic Business Incubator model farm in the Bunyoro region, built in partnership with Pure Grow Africa to train farmers on improving the standards and quality of foodstuff supplied to companies in the oil and oil gas sector. The visit allowed the Board to experience firsthand how the different subsidiaries partner with various stakeholders in their spheres to create sustainable value.

The different initiatives are informed by the United Nations global sustainable Development Goals and focus on the following goals: No poverty, quality education, affordable and clean energy, decent work and economic growth, industry innovation and infrastructure, climate action and partnership.

The Board also visited the Stanbic Business Incubator model farm in the Bunyoro region, built in partnership with Pure Grow Africa to train farmers on improving the standards and quality of foodstuff supplied to companies in the oil and oil gas sector. The visit allowed the Board to experience firsthand how the different subsidiaries partner with various stakeholders in their spheres to create sustainable value.

Relationship with shareholders

An essential part of our approach to governing our stakeholder relationships is to ensure that our shareholder views are heard and fully considered. Stanbic Uganda continued to do this by holding the 2021 Annual General Meeting (AGM) virtually in light of the continued restrictions on public gatherings

The virtual AGM ensured continued timely accountability and shareholder engagement in times of uncertainty, with over 2,000 shareholders participating. In the lead-up to the AGM, the company proactively conducted shareholder data clean-up exercises to validate and update shareholder details to support full shareholder participation and resolve any unpaid dividend claims. The AGM enabled the shareholders to make critical decisions that ensured the company's governance, management, and operations continued to be implemented.

A sequence of investor briefings was held before the AGM following the 2021 audited financial statements announcement. The Chief Executive and Senior Management provided a deep dive into the company's performance and strategic outlook for the following year. Participants were also allowed to share their views on the company's performance.

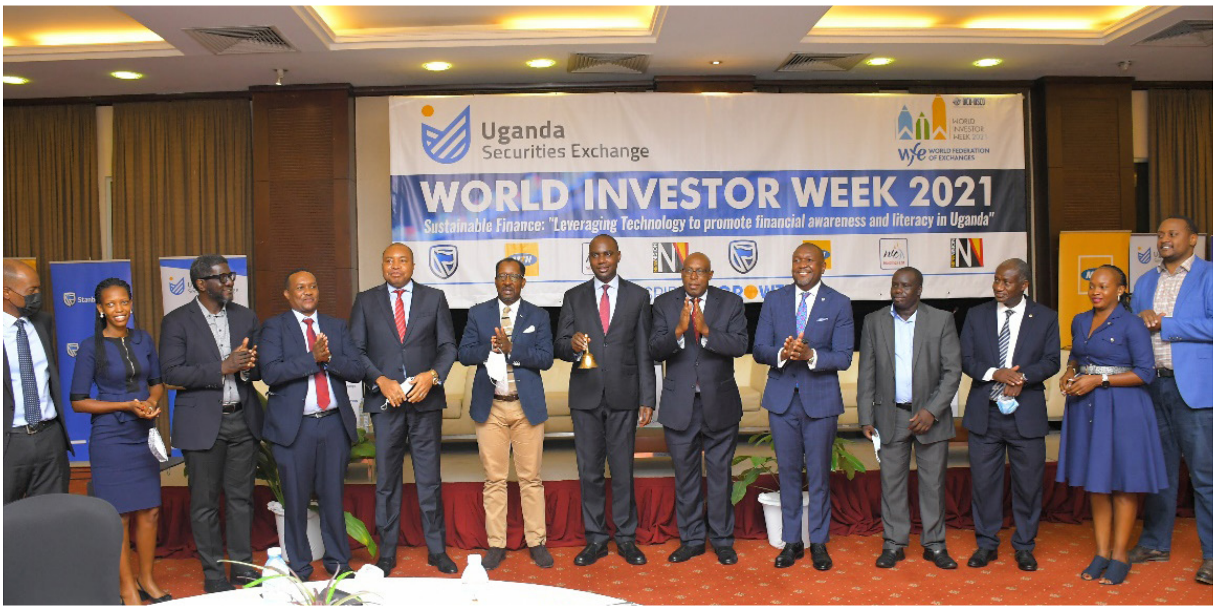
As part of the continuous shareholder engagement, the Board participated in the 2021 World Investor Week in partnership with the Uganda Securities Exchange to promote investor education and protection. The week-long campaign was climaxed with a panel discussion on the topic and the ringing of the USE trading bell for financial literacy. The event was held virtually and attended by our shareholders and different stakeholders in the capital markets.

The different shareholder engagements highlighted above facilitated consistent interaction and communication with shareholders throughout the year aimed at ensuring disclosure and transparency of the company's activities and performance

Dividend

Following the outbreak of the Covid-19 pandemic, the Bank of Uganda in April 2020 announced enhanced guidelines for purposes of capital preservation applicable to all Supervised Financial Institutions, including our Bank subsidiary. These are related to discretionary payments, including dividends. Therefore, the Bank's proposed dividends for 2020, which form the pool of dividends for payment to the Holding company shareholders, remain under review by BOU, which will inform the 2021 dividend recommendation of the directors to the company's shareholders.

Shareholders who still hold shares in hard copy certificate form are encouraged to migrate to the USE electronic system and encouraged to notify the Company's Share Registrars, C&R, in writing of any change in their postal or email addresses or Bank account details to keep the share register current, as well as help, claim outstanding dividend payments. Details of the share registrar are included in the company information on page 222.



Board participates in world investor week.

As part of the continuous shareholder engagement, the Board participated in the 2021 World Investor Week in partnership with the Uganda Securities Exchange to promote investor education and protection. The week-long campaign was climaxed with a panel discussion on the topic and the ringing of the USE trading bell for financial literacy.

Access to information and resources

Executive Management and the Board interact regularly. Executive Management is invited to attend Board meetings where necessary. In addition, directors have unrestricted access to management and information required to carry out their roles and responsibilities. This includes external legal and other professional advice at the company's expense where necessary. The directors also have unlimited access to the advice and services of the Company Secretary, who assists in providing any information or documentation that may be required to facilitate the discharge of their duties and responsibilities. A resource centre containing comprehensive reference materials is also made available to board members

Digital Technology

Aligned to the company's digital strategy, the Board has adopted online processes in its operations through the Diligent Board software, through which reports are circulated and decisions are made using the highest grade of security encryption. This has enabled the Board to operate effectively by exploiting available digital solutions and furthered the corporate Social Environment Economic (SEE) goals on waste management to safeguard the environment. Online circulation of board papers is an example of reduced paper use, and this culture, as set at the top, has cascaded to operations across the company. This has contributed to a drop in the paper consumed.

Ethics and Organisational Integrity

The Board is responsible for ensuring that the conduct of the Board, Management and employees is aligned with the company values and code of ethics. The Board exercises oversight of the steps taken by executive management to foster a culture of ethics and appropriate conduct. The code of ethics is designed to empower employees and enable effective decision making at all levels of the business according to defined ethical principles. It also aims to ensure that, as a significant player in the financial services industry, we adhere to the highest standards of responsible business practice as we interact with our stakeholders. The code interprets and defines Standard Bank Group and the company's values in greater detail and provides value-based decision-making principles to guide our conduct. It is aligned with other company policies and procedures and supports the relevant industry regulations and laws.

The code specifies acceptable and unacceptable practices and assists in making ethical infringement easy to identify. It also promotes awareness of and sensitivity to ethical issues. The Chief Executive is ultimately responsible for its implementation.

SUHL and its subsidiaries have strong whistleblowing policies and procedures in place. Staff are periodically trained on ethics and conduct matters as part of induction and ongoing development. Staff are tested on knowledge and required to undertake further tests should they fail. The duties and responsibilities of all staff towards an ethical culture, responsibility to whistleblow, assurance of protection and the hotlines available are well publicised on the intranet and by the internal communications by the compliance teams.

Ethical incidents are reported via the ethics and fraud hotlines, line managers, people and culture department, and risk and compliance departments. Reported incidents for the period related to fraud and people and culture related issues which were well managed as part of the company's risk management process. The company's policies on conduct related matters and disciplinary measures are under review to prevent re-occurrences. The Board focuses on driving risk and conducting culture change to ensure alignment with the principles and values espoused in the code of ethics and our commitment to doing the right business the right way. The management risk and conduct reporting parameters have been reviewed and enhanced to facilitate effective oversight.

Conflict of interest

The subsidiary framework and board mandate enumerate in detail the management of conflict-of-interest procedure, which includes: a standard agenda item for disclosure of conflicts of interest at all board meetings, requirements to declare any actual or potential conflict of interest before an appointment, as and when it arises and annual declaration of interests.

All declared interests are recorded in a register of interests maintained by the company secretary. Directors are required not to place themselves in positions that would interfere with the exercise of their object judgement or prevent them from acting in the best interest of Stanbic Uganda. Directors are excluded from participation in discussions and decisions on any matter they are actually or potentially conflicted. In exceptional circumstances, where a conflicted director is the sole expert on the subject under discussion, the Board may allow for the presentation of their expert input; however, the director will not participate in the deliberation and voting on the matter. Direct and indirect interests include but are not limited to outside directorships, other fiduciary positions, investments or shareholdings in other companies. Should a declared conflict be to such an extent that it interferes with the director's ability to fulfil their fiduciary duties or cause reputational damage to Stanbic Uganda, the director may be required to resign. The Board was satisfied that the directors allocated sufficient time to discharge their responsibilities effectively during the year.

Dealing in Securities

The personal account trading policy and an insider trading policy are frequently reviewed to prohibit employees and directors from trading in securities during closed periods, which are in effect from June 1st to the publication of the interim results and from December 1st to the publication of results. During other periods, where employees have price-sensitive information, closed periods are imposed on these employees. Compliance with the policies is monitored on an ongoing basis.

Codes and regulations

The holding company operates in a highly regulated environment as a listed entity. The regulatory scope has further been widened with the setup of the non-banking subsidiaries that report to various regulatory bodies. Compliance with all applicable legislation, regulations, standards, codes and policies is integral to the company's culture. The Board delegates responsibility for compliance to management and monitors this through the compliance and risk function. The compliance function and governance standards are subject to review by an internal audit.

The company, throughout 2021, continued to nurture a strong culture of governance and responsible risk management in line with Standard Bank Group's risk appetite and governance framework. The company constantly monitors its practices to ensure that we are well suited for it and served to enhance business and community objectives. In the financial year 2020, SUHL and all its subsidiaries complied with all legislation, regulations and codes of best practice.

Going Concern

The Directors have sufficient reason to believe that the company has adequate resources to continue operating as a going concern.

Company Secretary

The Governance function, headed by the Company Secretary, is a shared service between SUHL and all its subsidiaries. This has facilitated information flow, standardising corporate governance practices, and integrated processes within the holding company structure per the subsidiary governance framework. The company secretary ensures that the respective Boards remain mindful of their duties and responsibilities. In addition to guiding the Board on discharging its duties, the Company secretary keeps the Board abreast of relevant changes in legislation and governance best practices and ensures that the directors have full and timely access to pertinent information. The company secretary also oversees the director's continuous professional development and induction of new directors to enable the Board to function effectively. All directors have access to the services of the company secretary.

Remuneration Report

Where considered appropriate, the Board initiates modifications to remuneration designs to ensure that regulatory requirements are met and that the remuneration policies are progressive, consistent with, and promote effective risk management.

Remuneration Philosophy and Policy

Stanbic Uganda Holdings Limited and its subsidiaries are committed to attracting and retaining world-class people. Consequently, we work to develop a depth and calibre of human resource capable of delivering sustainable growth across multiple geographies, products and regulatory regimes, and always within our agreed risk tolerance.

At the heart of this commitment lies the value we place on our people. Therefore, effective management and remuneration of our talent is a core competency of the company. As an integral part of growing and fortifying our human capital skills, the Board continually reviews the remuneration philosophies, structures and practices. In determining the remuneration of employees, the Board reviews market and competitive data and considers the company's performance against financial objectives and individual performance. A key step in this development was taken by the Committee and Management to seek benchmarking guidance from the Group and Global Remuneration Services (GRS). Certain specialist departments, for example, people and culture and finance, provide supporting information and documentation relating to matters considered by the Board

Structure of remuneration for managerial and general employees

Terms of Service

The terms and conditions of employment of all managers and general employees are guided by local legislation and are aligned to Standard Bank Group practices. Notice periods are stipulated by legislation and can go up to three months.

Structure of the Remuneration

Fixed Pay

Fixed pay is intended to attract and retain employees by ensuring competitive positioning in the local market and in some instances, globally. Fixed pay is normally reviewed annually, in the first quarter of the year, and market data is used for benchmarking this. In the longer term, the Board aims to move from a fixed salary and benefits to a 'cost-to-company' philosophy whereby a cash sum is delivered from which all benefits are deducted.

Benefits

Benefits are provided in line with market practice and regulatory requirements. The company provides medical cover and death benefits for staff and dependents. In addition, retirement benefits are provided on a deferred contribution basis linked to fixed pay.

Variable Pay

Annual Incentive

Annual incentives are provided to ensure appropriate reward for performance. Incentive pools are allocated to teams shaped by a combination of the overall company and team performance within the set risk tolerance levels. Individual awards are based on personal performance, both financial and non-financial. In some cases, a portion of the annual incentive above a certain threshold is deferred.

Deferral Schemes

Deferred Bonus Scheme (DBS)

The company has implemented a DBS to compulsorily defer a portion of incentives over a minimum threshold for some senior managers and executives. This improves the alignment of shareholder and management interests and enables clawback under certain conditions, supporting risk management. All employees who are awarded an incentive over a certain threshold are subject to a mandatory deferral of a certain percentage of their bonus into the DBS for up to 42 months. To enhance the retention component of the scheme, additional increments of the deferred bonus become payable at vesting and one year thereafter.

Claw-back Provision

A claw-back provision was introduced on the deferred remuneration plan. A key provision in the plans is that unvested awards may be reduced or forfeited, in whole or in part, at the Board's discretion, subject to prescribed conditions.

Long Term Incentives

Share Incentive Schemes

The Standard Bank Group (parent company) runs a Standard Bank Equity Growth Scheme (EGS) and Group Share Incentive Scheme (GSIS) to which certain employees of Stanbic Uganda are eligible to participate. Participation rights under the EGS and share options under the GSIS are granted to qualifying employees. Grants of rights or options are typically made annually as part of the annual reward
review: however, grants are also made to new employees on appointment or as ad hoc awards for retention purposes. EGS and GSIS long term incentives are awarded to key talent and are motivated by an individual's current performance and future potential. No awards are made to Non- Executive Directors. No participation rights or options are issued at a pricing discount, nor can they be re-priced, except as provided for in terms of the scheme in relation to a reduction or re-organisation of the issued share capital of Standard Bank Group.

The table below sets out the general vesting conditions of the various options or participating rights issued. The Standard Bank Group Directors have the discretion to vary the vesting

Vesting Category	Year	Cumulative Vesting %	Expiry
A	3, 4, 5	50, 75, 100	10 years
B	5, 6, 7	50, 75, 100	10 years
C	2, 3, 4	50, 75, 100	10 years

Terms of Employment

Retention agreements

Retention agreements are only entered into in exceptional circumstances, and retention payments have to be repaid should the individual concerned leave within a stipulated period.

Severance payments

Severance payments are determined by legislation, market practice and, where applicable, agreement with recognised trade unions to employee forums. It is not the practice of Stanbic Uganda to make substantial severance awards.

Restrictive Covenants

Some executive employment contracts include restrictive covenants on the poaching of employees or customers. No other restrictions are included in contracts at present.

Sign on Payments

In attracting key employees, it may be necessary to compensate for the loss of unvested awards with their prior employer. In such cases, we would consider compensating such new employees in the appropriate share incentive scheme or in certain situations; a cash sign-on payment may be made on joining, subject to repayment should the employee leave the company within a certain period.

Directors' remuneration

Remuneration of Executive Directors

The remuneration packages and longterm incentives for Executive Directors are determined along with other employees on the same basis and using the same qualifying criteria. The compensation of the Chief Executive is subject to an annual review process that includes the Board. The disclosure of the remuneration of the highest-paid employees who are not Directors is considered competitor sensitive, and after due consideration, the Board has resolved not to publish this information.

Non-Executive Directors Remuneration and Terms of Engagement

Terms of Service

All Non-Executive Directors are provided with a letter of appointment setting out the terms of engagement. Shareholders appoint directors at the AGM. Between AGMs, interim appointments may be made by the Board. These interim appointees are required to retire at the following AGM, where they then offer themselves for re-election by shareholders. In addition, one -third of Non-Executive Directors are required to retire at each AGM and may offer themselves for re-election. If supported by the Board, the Board then proposes their re-election to shareholders. There is no limitation on the number of times a Non-Executive Director may stand for reelection. Proposals for re-election are based on individual performance and contribution.

Fees

Non-Executive Directors receive a fee for their service on the Board and a meeting attendance fee for Board committee meetings. Fees are paid quarterly in arrears. There are no contractual arrangements for compensation for loss of office. Non- Executive Directors do not receive shortterm incentives, nor do they participate in any long-term incentive schemes. The Board Nomination and Remuneration Committee reviews the fees paid to Non-Executive Directors annually and makes recommendations to the Board for consideration. In determining the remuneration of the Non- Executive Directors, the Board considers the extent and nature of their responsibilities and reviews of comparative remuneration offered by other similar companies in Uganda.

Directors Emoluments 2021

Category	Services as directors	Board committee fees	Cash portion of package	performance incentives	Other benefits	Pensions contributions	Total
	Ushs ‹000	Ushs ‹000	Ushs ‹000	Ushs ‹000	Ushs ‹000	Ushs ‹000	Ushs ‹000
Executive Directors	-	-	3,474,876	1,647,306	645,641	638,500	6,406,324
Non executive directors	663,018	335,161	-	-	-	-	998,180
Former non executive directors	-	-	-	-	-	-	-
Total	663,018	335,161	3,474,876	1,647,306	645,641	638,500	7,404,503

Directors Emoluments 2020

Category	Services as directors	Board committee fees	Cash portion of package	performance incentives	Other benefits	Pensions contributions	Total
	Ushs ‹000	Ushs ‹000	Ushs ‹000	Ushs ‹000	Ushs ‹000	Ushs ‹000	Ushs ‹000
Executive Directors	-	-	1,796,583	2,258,144	960,397	118,645	5,133,769
Non executive directors	610,969	316,205	-	-	-	-	927,174
Former non executive directors	-	-	-	-	-	-	-
Total	610,969	316,205	1,796,583	2,258,144	960,397	118,645	6,060,943

Report of the Board Audit and Risk Committee

This report is provided by the Board Audit and Risk Committee (the "Committee") in respect of the 2021 financial year of Stanbic Uganda Holdings Limited (the "Company") and its subsidiaries. The Committee's operation is guided by a Board Committee Mandate (the "mandate"), which is informed by the Companies Act 2012, and the Financial Institutions Act 2004 as amended, impacting the banking subsidiary, the Uganda Securities Exchange (USE) Listing Rules 2021 and is approved by the Board. The Committee composition is annually reviewed by the Board. The details on the membership and composition of the Committee, its terms of reference and its activities are provided in the Corporate Governance Statement on Page 112.

Execution of Functions

The Committee has executed its duties and responsibilities during the financial year in accordance with its mandate, in relation to Stanbic Uganda's accounting, internal auditing, internal control and financial reporting practices.

During the year under review, the Committee, among other matters, considered the following:

In respect of the External Auditors and the External Audit:

- Recommended to the Board for an approval of the re-appointment of PricewaterhouseCoopers (PWC), Certified Public Accountants Uganda, as external auditors for the financial year ended 31 December 2021, in accordance with all applicable legal requirements.
- Approved the external auditor's terms of engagement, the audit plan and budgeted audit fees payable.
- Reviewed the audit process and evaluated the effectiveness of the audits.
- Obtained assurance from the external auditors that their independence was not impaired.
- Considered the nature and extent of all non-audit services provided by the external auditors.
- Through the Chairman, approved proposed contracts with the external auditors for the provision of non-audit services and pre-approved proposed contracts with the external auditors for the provision of non-audit services above an agreed threshold amount.
- Confirmed that no reportable irregularities were identified and reported by the external auditors.

In respect of the Financial Statements:

- Confirmed the going concern principle as the basis of preparation of the consolidated annual financial statements.
- Examined and reviewed the consolidated interim and annual financial statements prior to submission and approval by the Board.
- Reviewed reports on the adequacy of the provisions for performing and non- performing loans and impairment of other assets, and the formulae applied by the company in determining charges for and levels of impairment of performing loans.
- Ensured that the consolidated annual financial statements fairly present the financial position of the company, as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the company is determined to be a going concern.
- Ensured that the consolidated annual financial statements conform with IFRS.
- Considered accounting treatments, significant unusual transactions and accounting judgements.
- Considered the appropriateness of the accounting policies adopted and changes thereto.
- Reviewed and discussed the external auditor's audit report.
- Considered and made recommendations to the Board on the consolidated interim and final dividend payments to the shareholder.
- Recommended the consolidated financial statements to the Board for approval.
- Noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal financial controls, content of the consolidated annual financial statements, internal controls and related matters.

In respect of risk management and information technology:

- Considered risks as they pertained to the control environment, financial reporting and the going concern assessment.
- Considered and reviewed reports from Management on risk management, including reports on fraud and its bearing on financial reporting and the going concern assessment.
- Considered updates on key internal and external audit findings in relation to the IT (Information Technology) control environment, significant IT programmes and IT intangible assets.

In respect of financial accounting and reporting developments:

- Reviewed Management's process and progress with respect to new financial accounting and reporting developments.

In respect of the Coordination of Assurance Activities:

- Reviewed the plans and work outputs of the external and internal auditors as well as compliance and financial crime control and concluded that these were adequate to address all significant financial risks facing the business.
- Considered the expertise, resources and experience of the finance function and the members of Senior Management responsible for this function and concluded that these were appropriate.

In respect of the Annual Report:

- Evaluated Management's judgments and reporting decisions in relation to the Annual Report and ensured that all material disclosures are included.
- Reviewed forward-looking statements, financial and sustainability information in respect of internal control, internal audit and financial crime control.
- Reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter.
- Considered reports of the internal and external auditors on the Company's internal control systems, including internal financial controls and maintenance of effective internal control systems.
- Reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to such findings.
- Noted that there were no significant differences of opinion between the internal audit function and Management.
- Assessed the adequacy of the performance of the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory.
- Received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal.
- Based on the above, the Committee formed the opinion that there were no material breakdowns in internal control at the date of this report, including internal financial controls, resulting in any material loss to the Company.
- Reviewed any significant tax matters that could have a material impact on the financial statements.
- Considered quarterly reports from the Company's internal financial controls departments.
- Considered the independent assessment of the effectiveness of the internal audit function.

In respect of legal, regulatory and compliance requirements:

- Reviewed, together with Management, matters that could have a material impact on the Company.
- Monitored compliance with the Companies Act of Uganda, the Financial Institutions Act, the USE Listing Rules, all other applicable legislation and governance codes and reviewed reports from internal audit, external auditors and compliance detailing the extent of compliance.
- Noted that no complaints were received through the Company's Ethics and Fraud Hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law and questionable accounting or auditing matters.
- Reviewed reports from management on risk management, including fraud and its risks as they pertain to financial reporting and the going concern assessment.

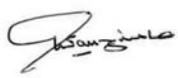
Independence of the External Auditors

The Committee is satisfied that the External Auditors, PWC, are independent of the Company. This conclusion was arrived at, inter alia, after taking into account the following factors:

- The representations made by PWC to the Committee.
- The Auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the Company.
- The Auditors' independence was not impaired by any consultancy, advisory or other work undertaken by them.
- The Auditors' independence was not prejudiced as a result of any previous appointment as the Company's Auditors.
- The criteria specified for independence by the independent regulatory Board for Auditors and international regulatory bodies were met.

In conclusion, the Board Audit and Risk Committee has complied with its legal, regulatory and governance responsibilities as set out in its mandate.

On behalf of the Board Audit and Risk Committee



Chairperson, Board Audit and Risk Committee

28 March 2022

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of Stanbic Uganda Holdings Limited ("the Company" or "SUHL") and its subsidiaries (collectively referred to as Stanbic Uganda).

Principal Activities

SUHL is a non-operating holding company that wholly owns with 5 (five) subsidiaries; Stanbic Bank Uganda Limited (the Bank/SBU), Stanbic Properties Limited (SPL), Stanbic Business Incubator Limited (SBIL), Flyhub Uganda Limited (Flyhub) and SBG Securities Uganda Limited (SBGS).

SBU is a financial institution regulated by the Bank of Uganda (BOU) and licensed under the Financial Institutions Act, to conduct commercial banking business. SPL primarily holds and manages the real estate portfolio of Stanbic Uganda and offers other services such as, valuation services, site acquisition, property consultancy, and execution of real estate projects. SBIL is a licensed Non-Governmental Organisation (NGO) under the NGO Act, set up to support the sustainability of Small and Medium Enterprises in Uganda through capacity building programs on best business practices. Flyhub is a software development company that provides digital integration and innovative services as part of our digital transformation journey. SBGS is a stockbrokerage company licensed by the Capital Markets Authority and admitted by the Uganda Securities Exchange as a trading participant that provides securities trading, brokerage, dealing and management services,

Results

The consolidated profit for the year ended 31st December 2021 of UShs 269 billion (2020: Ushs 242 billion) has been added to retained earnings. The detailed results of Stanbic Uganda are shown on page 134-211.

Dividends

In 2020, the Bank of Uganda (BOU) directed all Supervised Financial Institutions (SFIs), including Stanbic Bank Uganda, the bank subsidiary of Stanbic Uganda Holdings Limited (SUHL) to defer all discretionary payments including dividends unless explicitly authorised for purposes of capital preservation. The Bank dividend forms the pool of dividends to SUHL shareholders therefore at the 2021 AGM, the shareholders authorised the Board of directors to take the necessary steps required to obtain the regulatory approval and effect the payment of the final dividend for the year ended December 31st, 2020. To date, the proposed final dividend for 2020 remains under review by BOU which will inform the 2021 dividend recommendation.

Share Capital

The total number of issued ordinary shares as at the end of December 31st, 2021 was 51,188,669,700 ordinary shares of UShs 1 each.

Directors and Company Secretary

The Directors and Company Secretary who held office during the year and to the date of this report are as shown on pages 108-109 of this report.

Directors' interest in shares

The following directors as of 31st December 2021, held direct interest in SUHL's ordinary issued share capital as reflected in the table below:

Director	Number of Shares
Josepha T. Ndamira	30,000

Insurance

Directors' and Officers' liability insurance was maintained during the year.

Management by Third Parties

None of the business of Stanbic Uganda Holdings Limited has been managed by a third person or a company in which a director has had an interest during the year.

By Order of the Board

Rita Kabatunzi
Company Secretary,
Board of Directors

28 March 2022

Statement of Directors' Responsibilities

The Companies Act, 2012 of Uganda (the "Act") requires Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of a Group of Companies as at the end of the financial year and of its profit or loss. It also requires the Directors to ensure that such a Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. They are also responsible for safeguarding the assets of the Group.

The Directors of Stanbic Uganda Holdings Limited (SUHL) accept responsibility for the consolidated annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and in the manner required by the Act.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of SUHL. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Directors have assessed SUHL's ability to continue as a going concern. In performing this assessment, the directors have considered the results of SUHL's assessment of the possible impact on its cash flows and operations as a result of the macro-economic impact of Covid-19 on the local Ugandan market and wider international economy that is disclosed inNote 2(ii) of the financial statements.

The Directors hereby report that nothing has come to their attention to indicate that SUHL will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

The financial statements of Stanbic Uganda Holdings Limited were approved by the Board of Directors on 28 March 2022 and were signed on its behalf by:

Japheth Katto
Board Chairman
28 March 2022

Andrew Mashanda
Chief Executive
28 March 2022

REPORT OF THE INDEPENDENT AUDITOR

to the members of Stanbic Uganda Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the state of the financial affairs of Stanbic Uganda Holdings Limited ("the Company") and its subsidiaries (together, the Group) as at 31 December 2021, and of its consolidated and separate profit and cash flows for the year then ended, in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act.

What we have audited

The financial statements of Stanbic Uganda Holdings Limited set out on pages 134 to 211 comprise:

- the consolidated and separate statement of financial position as at 31 December 2021;
- the consolidated and separate income statement for the year ended;
- the consolidated and separate statement of other comprehensive income for the year then ended;
- the consolidated and separate statement of changes in equity for the year then ended;
- the consolidated and separate statement of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("the IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Uganda, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

PricewaterhouseCoopers Certified Public Accountants, Communications House, 1 Colville Street, P. O. Box 882, Kampala, Uganda. Registration Number 113042

T: +256 (414) 236018, +256 (312) 354400, F: +256 (414) 230153, E: ug_general@pwc.com,www.pwc.com/ug
Partners: C Mpobusingye D Kalemba F Kamulegeya P Natamba U Mayanja
PricewaterhouseCoopers CPA is regulated by the Institute of Certified Public Accountants of Uganda

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Report of the independent auditor to the members of Stanbic Uganda Holdings Limited (continued)

Report on the audit of the financial statements (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment of loans and advances to customers As disclosed in Notes 2, 3(c) and 19 of the financial statements, the Directors have estimated provisions for expected credit losses ("ECL") on loans and advances of Shs 169,372 million as at 31 December 2021 (2020: Shs 165,089 million). We considered this a key audit matter in view of the complex and subjective judgment exercised by the Directors in estimating the above provisions. In addressing this area, we focused on the following: • the appropriateness of models used by the Directors in estimation of impairment; • the assumptions and estimates applied to the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the expected credit loss ("ECL") measurement; and] • Evaluation of Significant Increase in Credit Risk ("SICR"); • determination of the forwardlooking parameters to be incorporated in the estimation of expected credit losses; • the overlays applied to the impairment calculation in response to the additional uncertainty to the estimate arising from the effects of the Corona Virus 2019 (COVID-19) pandemic.	**Our audit procedures are summarised as follows:** We evaluated the appropriateness of the methodology, and the mathematical accuracy of the models, applied by the Directors in the estimation of expected credit losses for consistency with IFRS 9; We validated controls implemented by the Group over the staging of loans and advances between default (Stage 3), significant increase in credit risk (Stage 2) and others (Stage 1) and tested, on a sample basis, the staging of loans and advances with additional emphasis on loans that were restructured during the year; We evaluated the appropriateness of segmentation of the Group's loan portfolio for purposes of estimation of PDs; We tested, on a sample basis, the PDs used by the Directors in comparison to the history of default and exernal indicators where made use of. We also tested the accuracy of the underlying historical data applied by the Directors in deriving PDs; We evaluated the overall reasonableness of the adjustments made to impairment in response to the added uncertainty introduced by the effects of the Covid-19 pandemic in comparison to data and assumptions on which such adjustments were based; We assessed the extent to which forward-looking data applied in the estimation of expected credit losses is correlated with default history and corroborated the data and assumptions therein using publicly available information, where applicable; We tested, on a sample basis the reasonableness of the EAD for on and off-balance sheet items based on historical experience of the Group; We tested, on a sample basis, the reasonableness of the loss given default estimated by the Directors using present values of expected future cashflows of loans and advances derived from the estimated recoverable value of collateral held and historical loss experience; We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 9; and We performed an independent recomputation of provisions for expected credit losses, separately on the Group's consumer and high net worth and business and commercial portfolio and corporate and investment banking portfolio, using independently recomputed PDs and independent forward looking information and compared our results to those obtained by the Directors to evaluate the reasonableness of provisions for expected credit losses in these financial statements. Our audit procedures are summarised as follows: We obtained evidence that selected manual and computer controls applied by the Directors that are relevant to the completeness, existence, accuracy and fair valuation of derivative assets and liabilities were designed and operated effectively during the year; We obtained evidence of the appropriateness of the methodology and computational accuracy of the model used by the Directors in the fair valuation of derivative assets and liabilities; We tested the accuracy of data inputs used by the Directors in the fair valuation of derivative assets and liabilities; and We evaluated the completeness and accuracy of disclosures made by the Directors in respect of derivative assets and liabilities.

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Report of the independent auditor to the members of Stanbic Uganda Holdings Limited (continued)

Report on the audit of the financial statements (continued)

Fair valuation of derivative assets and liabilities	Our audit procedures are summarised as follows:
The Group is the holder and issuer of derivative financial instruments in the normal course of business. In line with IFRS 9: Financial Instruments, these derivatives are measured at fair value at each reporting date. The Directors employed valuation techniques in estimating the fair values of outstanding derivatives as at 31 December 2021 at UShs 129 billion (2020: UShs 161 billion) for derivative assets and UShs 205 billion (2020: UShs 230 billion) for derivative liabilities, as disclosed in Note 27 of the financial statements. This was considered a key audit matter for our audit in view of the significant judgments exercised by the Directors in estimating the fair value of derivatives, the materiality of outstanding derivatives, and the additional complexity and long-dated nature of currency swap derivatives which are predominantly over 5 years in duration. In particular, we focused on the fair valuation methodology applied by the Directors; the estimation of inputs into the fair valuation in view of the limitations on available market data/ prices; and the overall reasonableness of prices applied in the valuation.	We obtained evidence that selected manual and computer controls applied by the Directors that are relevant to the completeness, existence, accuracy and fair valuation of derivative assets and liabilities were designed and operated effectively during the year; We obtained evidence of the appropriateness of the methodology and computational accuracy of the model used by the Directors in the fair valuation of derivative assets and liabilities; We tested the accuracy of data inputs used by the Directors in the fair valuation of derivative assets and liabilities; and We reviewed the completeness and accuracy of disclosures made by the Directors in respect of derivative assets and liabilities.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of Directors' Responsibilities which we obtained prior to the date of this auditor's report, and additional sections of the Group's annual report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and 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 identified above 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 that we obtained prior to the date of this 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.

When we read the additional sections of the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act, and, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

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 the financial statements.

- 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 Group's internal control.

Report of the independent auditor to the members of Stanbic Uganda Holdings Limited (continued)

Report on 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 Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Group's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 and regulatory requirements

The Ugandan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm 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 our audit;

ii) in our opinion proper books of account have been kept by the Group, so far as appears from our examination of those books; and

iii) the consolidated and separate statement of financial position and the consolidated and separate income statement are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Uthman Mayanja – P0181.

PricewaterhouseCoopers

Certified Public Accountants
Kampala

28 March 2022

CPA Uthman Mayanja

Even the
biggest
dreams
started small.
With us you're
one
step
closer
Stanbic Bank IT CAN BE™
@stanbicug
Stanbic Bank Uganda Limited. A Financial Institution regulated by the Bank of Uganda and Customer
Deposits are protected by the Deposit Protection Fund of Uganda. License Number A1. 030

FINANCIAL STATEMENTS

Consolidated and separate income statement
For the year ended 31 December 2021

		GROUP			COMPANY
		2021	2020	**2021**	2020
	Notes	**UShs' 000**	UShs' 000	**UShs' 000**	UShs' 000
Interest income	5	**543,994,626**	536,233,586	-	-
Interest expense	6	**(45,968,548)**	(45,441,437)	(75,253)	(37,816)
Net interest income		**498,026,078**	490,792,149	(75,253)	(37,816)
Fee and commission income	7	**173,617,048**	165,731,160	-	-
Fee and commission expenses	7	**(8,857,656)**	(8,449,791)	-	-
Net fees and commission income		**164,759,392**	157,281,369	-	-
Net trading income	8	**233,701,721**	177,344,278	-	-
Other losses on financial instruments	9	**(3,295)**	(132,234)	-	-
Other operating income	10	**6,998,552**	6,104,594	-	129,583,471
Non interest revenue		**405,456,370**	340,598,007	-	129,583,471
Total income before credit impairment charge		**903,482,448**	831,390,156	(75,253)	129,545,655
Impairment charge for credit losses	11	**(70,407,666)**	(91,734,105)	-	-
Total income after credit impairment charge		**833,074,782**	739,656,051	(75,253)	129,545,655
Employee benefits expense	12	**(178,547,838)**	(169,512,134)	(7,415,205)	(2,197,538)
Depreciation and amortisation	22&23	**(48,059,045)**	(48,424,389)	(568,659)	(266,824)
Other operating expenses	13	**(255,257,740)**	(203,106,739)	(1,680,990)	(978,892)
Profit before income tax		**351,210,159**	318,612,789	(9,740,107)	126,102,401
Income tax expense	14	**(81,898,067)**	(76,926,464)	2,748,127	864,030
Profit for the year attributable to the equity holders of the group		**269,312,092**	241,686,325	(6,991,980)	126,966,431
Earnings per share for profit attributable to the equity holders of the Group during the year (expressed In UShs per share):					
Basic and diluted earnings per share	**15**	**5.26**	4.72	(0.14)	2.48

The notes set out on pages 142 to 211 form an integral part of these financial statements.

Consolidated and separate statement of other comprehensive income
For the year ended 31 December 2021

		GROUP			COMPANY
		2021	2020	**2021**	2020
	Notes	**UShs' 000**	UShs' 000	**UShs' 000**	UShs' 000
Profit for the year		**269,312,092**	241,686,325	(6,991,980)	126,966,431
Other comprehensive income for the year after tax:					
Items that may be subsequently reclassified to profit or loss					
Net change in debt financial assets measured at fair value through other comprehensive income (OCI)	25	**20,551,757**	(5,113,372)	-	-
Total comprehensive income for the year					
		289,863,849	236,572,953	(6,991,980)	126,966,431

Income tax relating to each component of other comprehensive income is disclosed in note 25.

The notes set out on pages 142 to 211 form an integral part of these financial statements.

Consolidated and separate statement of financial position
As at 31 December 2021

		GROUP			COMPANY
		2021	2020	2021	2020
	Notes	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Cash and balances with Bank of Uganda	16	**984,530,697**	1,155,333,607	**-**	1,000
Derivative assets	27	**129,164,041**	160,917,126	**-**	-
Trading assets	17	**1,057,416,156**	1,101,949,038	**-**	-
Pledged assets	17	**3,840,314**	460,527,242	**-**	
Financial investments	17	**844,345,030**	721,772,782	**-**	-
Current income tax recoverable	14	**-**	5,066,711	**11,545,375**	11,720,417
Loans and advances to banks	18	**1,106,122,016**	683,929,488	**-**	-
Loans and advances to customers	19	**3,722,073,070**	3,618,353,321	**-**	-
Amounts due from group companies	36	**401,399,239**	354,851,856	**35,757,732**	154,995,286
Investment in subsidiaries	38	**-**	-	**896,504,489**	893,504,489
Other assets	21	**267,011,390**	96,788,730	**506,189**	227,504
Property, equipment and right of use assets	23	**75,544,628**	81,417,930	**1,599,759**	861,851
Goodwill and other intangible assets	22	**82,293,413**	93,447,576	**-**	-
Deferred tax assets	20	**46,355,807**	44,542,719	**3,773,211**	850,042
Total assets		**8,720,095,801**	8,578,898,126	**949,686,755**	1,062,160,589
Shareholders' equity and liabilities					
Shareholders' equity					
Ordinary share capital	24	**51,188,670**	51,188,670	**51,188,670**	51,188,670
Fair value through other comprehensive income reserve	25	**18,038,214**	(2,513,543)	**-**	-
Retained earnings	38	**1,414,076,353**	1,099,764,261	**828,307,189**	790,299,169
Proposed dividends	33	**50,000,000**	95,000,000	**50,000,000**	95,000,000
		1,533,303,237	1,243,439,388	**929,495,859**	936,487,839
Liabilities					
Derivative liabilities	27	**205,061,504**	229,733,411	**-**	-
Current tax liabilities	14	**3,817,466**	-	**-**	-
Deposits from customers	28	**5,741,043,166**	5,493,479,534	**-**	-
Deposits from banks	29	**155,075,114**	785,477,443	**-**	-
Amounts due to group companies	36	**260,392,702**	351,607,479	**562,112**	88,295,740
Borrowed funds	30	**165,196,485**	43,346,567	**-**	-
Subordinated debt	32	**71,753,914**	73,022,525	**-**	-
Other liabilities	31	**584,452,213**	358,791,779	**19,628,784**	37,377,010
		7,186,792,564	7,335,458,738	**20,190,896**	125,672,750
Total equity and liabilities		**8,720,095,801**	8,578,898,126	**949,686,755**	1,062,160,589

The notes set out on pages 142 to 211 form an integral part of these financial statements.

Chairman

Chief Executive

Director

Company Secretary

The financial statements on pages 134 to 211 were approved for issue by the Board of Directors on 28 March 2022.

Consolidated and separate statement of changes in equity
For the year ended 31 December 2021

GROUP	Notes	Share capital UShs'000	Fair value through OCI reserve UShs'000	Statutory Credit Risk Reserve UShs'000	Proposed dividends UShs'000	Retained earnings UShs'000	Total UShs'000
Balance at 1 January 2021		**51,188,670**	**(2,513,543)**	**-**	**95,000,000**	**1,099,764,261**	**1,243,439,388**
Profit for the year		-	-	-	-	**269,312,092**	**269,312,092**
Other comprehensive income after tax for the year	25	-	20,551,757	-	-	-	20,551,757
Transactions with owners recorded directly in equity							
Proposed dividends transferred back to retained earnings	33	-	-	-	(95,000,000)	95,000,000	-
Proposed dividends	33	-	-	-	50,000,000	(50,000,000)	-
Balanceat 31 December 2021		**51,188,670**	**18,038,214**	**-**	**50,000,000**	**1,414,076,353**	**1,533,303,237**

	Notes	Share capital UShs'000	Fair value through OC Ireserve UShs'000	Statutory Credit Risk Reserve UShs'000	Proposed dividends UShs'000	Retained earnings UShs'000	Total UShs'000
Balance at 1 January 2020		51,188,670	2,599,829	8,466,533	110,000,000	944,611,403	**1,116,866,435**
Profit for the year						241,686,325	241,686,325
Other comprehensive loss after tax for the year	25	-	(5,113,372)	-	-	-	(5,113,372)
Transactions with owners recorded directly inequity							
Dividends paid	33	-	-	-	(110,000,000)	-	(110,000,000)
Transfer from statutory credit risk reserve	26	-	-	(8,466,533)	-	8,466,533	-
Proposed dividends	33	-	-	-	95,000,000	(95,000,000)	-
Balance at 31 December 2020		**51,188,670**	**(2,513,543)**	**-**	**95,000,000**	**1,099,764,261**	**1,243,439,388**

The fair value through OCI reserve relates to debt financial investments measured at fair value through OCI.
The notes set out on pages 142 to 211 form an integral part of these financial statements.

Consolidated and separate statement of changes in equity
For the year ended 31 December 2021 (continued)

COMPANY	Notes	Share capital USh's'000	Fair value through OCI reserve UShs'000	Statutory Credit Risk Reserve UShs'000	Proposed dividends UShs'000	Retained earnings UShs'000	Total UShs'000
Balance at 1 January 2021		**51,188,670**	**-**	**-**	**95,000,000**	**790,299,169**	**936,487,839**
Profit for the year		-	-	-	-	**(6,991,980)**	**(6,991,980)**
Other comprehensive income after tax for the year	25	-	-	-	-	-	-
Transactions with owners recorded directly in equity							
Proposed dividends transferred back to retained earnings	33	-	-	-	**(95,000,000)**	**95,000,000**	-
Proposed dividends	33	-	-	-	**50,000,000**	**(50,000,000)**	-
Balanceat 31 December 2021		**51,188,670**	**-**	**-**	**50,000,000**	**828,307,189**	**929,495,859**

	Notes	Share capital UShs'000	Fair value through OC Ireserve UShs'000	Statutory Credit Risk Reserve UShs'000	Proposed dividends UShs'000	Retained earnings UShs'000	Total UShs'000
Balance at 1 January 2020		51,188,670	-	-	110,000,000	758,332,738	**919,521,408**
Profit for the year		-	-	-	-	126,966,431	126,966,431
Other comprehensive loss after tax for the year	25	-	-	-	-	-	-
Transactions with owners recorded directly inequity							
Dividends paid	33	-	-	-	(110,000,000)	-	(110,000,000)
Transfer from statutory credit risk reserve	26	-	-	-	-	-	-
Proposed dividends	33	-	-	-	95,000,000	(95,000,000)	-
Balance at 31 December 2020		**51,188,670**	**-**	**-**	**95,000,000**	**790,299,169**	**936,487,839**

The fair value through OCI reserve relates to debt financial investments measured at fair value through OCI.
The notes set out on pages 142 to 211 form an integral part of these financial statements.

Consolidated and separate statement of cash flows
For the year ended 31 December 2021

	Notes	GROUP 2021 UShs'000	GROUP 2020 UShs'000	COMPANY 2021 UShs'000	COMPANY 2020 UShs'000
Cash flows from operating activities					
Interest received	5	**543,521,114**	514,409,124	**-**	-
Interest paid	6	**(45,616,592)**	(46,511,654)	**(75,253)**	(37,816)
Net fees and commissions received	7	**160,583,904**	162,228,254	**-**	129,583,471
Net trading and other Income/recoveries		**248,832,500**	192,349,594	**-**	-
Cash payment to employees and suppliers		**(477,337,194)**	(389,839,999)	**(10,804,587)**	(3,777,911)
Cash flows from operating activities before changes in operating assets and Liabilities		**429,983,732**	432,635,319	**(10,879,840)**	125,767,744
Changes in operating assets and liabilities					
Income tax paid	**14**	**(83,593,142)**	(91,394,617)	**-**	4,171,663
(Decrease)/increase in derivative assets	**27**	**31,753,085**	(78,419,817)	**-**	-
(Increase)/decrease in financial investments	**17**	**(744,556,343)**	277,021,578	**-**	
Decrease/(increase) in trading assets	**17**	**501,219,810**	(841,973,214)	**-**	-
Increase in cash reserve requirement		**(60,350,000)**	(81,630,000)	**-**	-
Increase in loans and advances to customers	**19**	**(181,875,005)**	(842,235,712)	**-**	-
Increase in other assets	**21**	**(166,047,172)**	(49,095,263)	**(278,685)**	1,552,584
Increase in customer deposits	**28**	**247,211,676**	772,346,181	**-**	-
(Decrease)/increase in deposits and balances due to other banks	**29**	**(630,402,329)**	583,777,645	**-**	-
(Decrease)/increase in deposits from group companies	**36**	**(91,214,777)**	319,687,129	**-**	-
(Decrease)/increase in derivative liabilities	**27**	**(24,671,907)**	103,757,279	**-**	-
Increase/(decrease) in other liabilities		**272,258,680**	5,933,466	**(103,152,411)**	(17,494,559)
Net cash (used in)/from operating activities		**(500,283,692)**	510,409,974	**(114,310,936)**	113,997,432
Cash flows from investing activities					
Purchase of property an equipment	**23**	**(8,952,743)**	(17,761,017)	**(1,306,567)**	(943,945)
Purchase of computer software	**23**	**(3,887,241)**	(11,081,968)	**-**	-
Proceeds from sale of property and equipment	**23**	**73,898**	376,858	**-**	-
Net cash used in investing activities		**(12,766,086)**	(28,466,127)	**(1,306,567)**	(943,945)
Cash flows from financing activities					
Principal Lease payments	**23**	**(21,133,035)**	(11,391,314)	**(621,051)**	(421,930)
Dividends paid to shareholders	**33**	**-**	(110,000,000)	**-**	(110,000,000)
Dividends received from subsidiary		**-**		**-**	129,000,000
Investment in subsidiary		**-**		**(3,000,000)**	(10,600,000)
Increase in borrowed funds	**30**	**121,849,918**	32,264,784	**-**	-
Decrease in subordinated debt		**(1,268,611)**	(257,941)	**-**	-
Net cash from/(used) in financing activities		**99,448,272**	(89,384,471)	**(3,621,051)**	7,978,070
Net(decrease)/increase in cash and cash equivalents		**(413,601,506)**	392,559,376	**(119,238,554)**	121,031,557
Cash and cash equivalents at beginning of the year		**2,450,544,793**	2,057,985,417	**154,996,286**	33,964,729
Cash and cash equivalents at end of the year	**35**	**2,036,943,287**	2,450,544,793	**35,757,732**	154,996,286

The notes set out on pages 142 to 211form an integral part of these financial statements.

Notes

1. General Information

Stanbic Uganda Holdings Limited (the "Company") is a limited liability company, incorporated and domiciled in Uganda. The address of its registered office is: Plot 17 Hannington Road 11th floor Short Tower - Crested Towers, PO Box 7395, Kampala, Uganda.

The Company's shares are listed on the Uganda Securities Exchange (USE) and it has five subsidiaries which are; Stanbic Bank Uganda Limited, FLYHUB Uganda Limited, Stanbic Properties Limited, Stanbic Business Incubator Limited and SBG Securities Uganda Limited.

For purposes of reporting under the Companies Act of Uganda 2012 (herein referred to as the Ugandan Companies Act) the balance sheet is represented by the statement of financial position and the profit or loss account is represented by the income statement in these financial statements.

2.1 Accounting policy elections

(i) Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented for both group and company, unless otherwise stated.

a) Basis of preparation

The annual financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Ugandan Companies Act. The financial statements are presented in the functional currency, Uganda Shillings (UShs), rounded to the nearest thousand, and prepared under the historical cost convention except where otherwise stated below:

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The following principal accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets:

- purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy f)
- the portfolio exception is applied to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy a)
- intangible assets, property, equipment and right of use assets are accounted for at cost less accumulated amortisation/depreciation and impairment (accounting policy c)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 2.

Foreign currency translation

Functional and presentation currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the Group operates Uganda Shillings; UShs ("the functional currency"). The financial statements are presented in UShs and figures are stated in thousands of UShs (UShs'000) unless otherwise stated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition: non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year- end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary assets denominated in foreign currency classified as fair value through OCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognised in profit or loss, and other changes in the carrying amount, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non- monetary financial instruments, such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

Adoption of new and amended standards effective for the current financial year.

IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 9 Financial Instruments (IFRS 9), IFRS 16 Leases (IFRS 16), IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) (amendments). The second phase of Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require the Group to update the effective interest rate to reflect the change to the alternative risk-free rates (ARRs), instead of derecognising or adjusting the carrying amount of financial instruments, for changes required by the reform if the transition from the IBOR rate to the ARR is as a direct consequence of the reform and on an economically equivalent basis. The amendment also provides specific hedge accounting relief, including that the Group will not have to discontinue hedge accounting solely because it makes changes required by the reform to hedge designations and hedge documentation, if the hedge meets the other hedge accounting criteria. The amendments also require companies to provide additional information about new risks arising from the reform and how it manages the transition to ARRs. The Group will transition to ARRs as each interest rate benchmark is replaced.

IFRS 16 (amendment). In light of the recent Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits lessees to apply the practical expedient as an accounting policy choice to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2021. The Group elected not to apply this practical expedient.

Interest rate benchmarks and reference interest rate reform

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets.

During the 2021 financial year, the (London Interbank Offer Rate) LIBOR's administrator, the Intercontinental Exchange Benchmark Administration Limited, announced it would no longer publish EUR, CHF, JPY and GBP related LIBOR rates for all tenors after 31 December 2021. The IBA has adopted a two-stage approach for the cession of the USD LIBOR rates with the 1 week and 2 month USD LIBOR rates no longer being published after 31 December 2021 and the remaining being the overnight, 1 month, 3 month, 6 month and 12 month rates no longer being published after 30 June 2023. The LIBOR rates which the Group is exposed to will be replaced by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), and Euro Short Term Rate (ESTR).

Given that the LIBOR rates and ARRs are calculated on a different basis, adjustments may be made to contracts that are transitioned from LIBOR to ARRs, to ensure economic equivalence.

The Group has several LIBOR linked contracts that extend beyond 2021. The Group ceased booking new LIBOR linked exposures from 1 October 2021, apart from very limited circumstances to align with industry guidance and best practice. From this date, new exposure are booked using the ARRs being SOFR, SONIA, and ESTR. In certain instances, other suitable rates may be used, such as Central Bank Policy Rates.

The Group has established a steering committee and working group to manage the transition to ARRs. The objectives of the committee and working group include evaluating the extent to which loans advanced and liabilities reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee and working group are working closely with business teams across the Group to establish pricing for new lending products indexed to ARRs.

The Group's derivative instruments are governed by International Swaps and Derivatives Association (ISDA) 2006 definitions. ISDA published its IBOR fallback protocol, which will apply following a permanent cessation of an IBOR and ensures an orderly transition for IBOR linked contracts in the event that renegotiated contracts are not in place at the time of the cessation of LIBOR. Following a series of public consultations, ISDA launched its IBOR Fallbacks Protocol (the Protocol) and IBOR Fallbacks Supplement (the Supplement) in October 2020. Together, they focus on strengthening existing and new derivatives contracts with durable fallback language. The Protocol and Supplement both took effect in January 2021. The Protocol going into effect means that existing derivatives contracts will now incorporate ISDA's new fallbacks if both counterparties have adhered to the Protocol or otherwise bilaterally agreed to include the new fallbacks in their contracts. The Supplement going into effect means that new derivatives contracts that incorporate the 2006 ISDA Definitions and reference a relevant IBOR will also incorporate the new fallbacks.

The 5 March 2021 Financial Conduct Authority (FCA) statement around the timing for the cessation or loss of representativeness of all LIBOR settings represented an index cessation event under the IBOR Fallbacks Supplement and protocol, triggering a fixing of the fallback spread adjustment at the point of the announcement. This spread adjustment is an important part of the overall fallback rate, and reflects a portion of the structural differences between IBORs and the ARRs used as a basis for the fallbacks – IBORs incorporate a credit risk premium and other factors, while ARRs are risk free or nearly risk free. Following multiple industry consultations by ISDA, it was determined that the fallback for each IBOR setting will be based on the relevant ARR compounded in arrears to address differences in tenor, plus a spread adjustment to account for the credit risk premium and other factors, calculated using a historical median approach over a five-year lookback period from the announcement date.

This spread has now been fixed for all euro, sterling, Swiss franc, US dollar and yen LIBOR tenors, giving firms more information about the exact fallback rate that will be used in the event they do not complete their transition efforts before cessation or non-representativeness occurs.

The above introduces a number of risks to the Group including, but not limited to:

market risk – risk of not aligning to market regulations such as the ISDA, not meeting the market transition timelines and liquidity risk associated with the ARR.

model risk – risk of the valuation models used within the Group not being able to cater for the changes in the intended manner.

legal risk – risk of being non-compliant to the agreements previously agreed with clients.

operational risk – risk of the Group's systems not being able to accommodate for the changes to the interest rates as agreed with the clients.

financial risk – risk of not appropriately pricing the deals which will result in a transfer of value between the Group and clients.

compliance/regulatory risk – risk that the Group is exposed regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.

reputational risk – the risk to the Group's reputation from failing to adequately prepare for the transition.

conduct risk – risk that arises when transitioning existing contracts linked to IBORs as value-transfer may occur, or clients may be transitioned to inferior rates or on unfair contractual terms, or in circumstances where they do not fully appreciate the impact of the transition or the alternatives available to them.

The steering committee has set up a risk management transition plan which details the transition process for each product in the relevant Business Units (BUs).

By way of policy, all new contracts or exposures referencing IBORs include robust fallback language, and work is underway in some areas to actively transition legacy exposures away from LIBOR. Changes in impacted systems are being implemented and ready to book at new rates. Communications to clients are underway via multiple platforms along with one-to-one conversations. The Group is also ensuring that the staff have attended educational webinars and received the required updates and communication.

Financial instruments impacted by the reform which are yet to transition

	GBP LIBOR	USD LIBOR	EUR IBOR	Other IBORs
	2021	2021	2021	2021
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Derivative assets	-	70,852,477	-	-
Financial investments	-	-	-	-
Loans and advances	-	1,348,217,698	503,289,483	-
Trading assets	-	-	-	-
Total assets recognized on the balance sheet subject to IBOR reform	-	1,419,070,175	503,289,483	-
Derivative liabilities	-	(70,271,574)	-	-
Deposits and debt funding	-	(200,727,889)	(100,358,094)	-
Trading liabilities	-	-	-	-
Subordinated debt	-	(71,753,914)	-	-
Total liabilities recognized on the balance sheet subject to IBOR reform	-	(342,753,377)	(100,358,094)	-
Off balance sheet items[1]	-	3,836,147,683	-	-
Total off balance sheet exposures subject to IBOR reform	-	3,836,147,683	-	-

[1] These balances represent the notional amount directly impacted by the IBOR reform.

Early adoption of revised standards:

- **IFRS 16 (amendment),** the amendment extends the availability of the practical expedient so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The Group elected not to apply this practical expedient.
- **IAS 1 Presentation of Financial Statements (IAS 1) (amendments), IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) (amendments).** In response to the IASB's Disclosure Initiative – Principles of Disclosure, the amendments introduce a requirement on entities to disclose their material accounting policy information rather than significant accounting policies. To support this amendment the IASB also amended its IFRS Materiality Practice Statement to explain and demonstrate the application of the materiality process to accounting policy disclosures. The amendments have been applied prospectively.
- **IAS 8 (amendment).** The amendments introduce the definition of accounting estimates and include amendments to assist entities to distinguish changes in accounting estimates from changes in accounting policies. The amendments have been applied prospectively.
- **IAS 12 Income Taxes (IAS 12) (amendment).** The amendments narrow the scope of the initial recognition exemption of deferred tax assets and liabilities. The exemption no longer applies to transactions that, at initial recognition, give rise to equal taxable and deductible temporary differences. The amendments have been applied retrospectively.

The adoption of the above amended standards on 1 January 2021 did not affect the Group's previously reported financial results, and did not impact the Group's results upon transition, unless otherwise specified. Disclosures and accounting policies have been amended as relevant.

ii) Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. While models have been enhanced, no material changes to assumptions have occurred during current or prior reporting periods apart from those mentioned below. The following represents the most material key management assumptions applied in preparing these financial statements.

Expected credit loss (ECL)

During the current reporting period models have been enhanced but no material changes to assumptions have occurred. Covid-19 placed considerable strain on our operations specifically retail, business and corporate clients, however, the Group's risk appetite remained unchanged.

ECL on financial assets – drivers

For the purpose of determining the ECL:

- The home services, vehicle and asset finance (VAF), card, personal, business and other lending products portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The impairment provision calculation excludes post-write-off recoveries (PWOR) from the loss given default (LGD) in calculating the ECL. These LGD parameters are aligned to market practice.
- Corporate, sovereign and bank exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

- The ECL measurement period for stage 1 exposures is 12 months (or the remaining tenor of the financial asset relating to corporate, sovereign and bank exposures, including certain home services, VAF, card, personal, business and other lending product exposures, if the remaining lifetime is less than 12 months).
- A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- Lifetime includes consideration for multiple default events, i.e. where defaulted exposures cure and then subsequently re-default. This consideration increases the lifetime and the potential ECL.
- The measurement period for unutilised loan commitments utilise the same approach as on-balance sheet exposures

SICR and low credit risk

Home services, vehicle and asset finance, card, personal, business and other lending products

All exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk. Behaviour scorecards are based on a combination of factors which include the information relating to customers, transactions and delinquency behaviour (including the backstop when contractual payments are more than 30 days past due) to provide a quantitative assessment (score), and more specifically, a ranking of customer creditworthiness. The creditworthiness of a customer is summarised by a score, with high scores corresponding to low-risk customers, and conversely, low scores corresponding to high-risk customers. These scores are often taken into account in determining the probability of default (PD) including relative changes in PD. Credit risk has increased since initial recognition when these criterion are met.

The Group determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due (DPD) to stage 2. This transfer rate is such that the proportion of the 0-29 DPD book transferred into stage 2 is no less than the observed 12-month roll rate of 0-29 days accounts into 30 or more days in arrears. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, the rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

Corporate, sovereign and bank lending products (including certain business banking exposures)

The Group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the Group's 25-point master rating scale.

Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre- defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre- defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the Group's master rating scale as investment grade are assessed for SICR at each reporting date but are considered to be of a low credit risk. To determine whether a client's credit risk has increased significantly since origination, the Group would need to determine the extent of the change in credit risk using the table below.

Master rating scale band (from origination)	**SICR trigger**
SB 1 - 12	Low credit risk
SB 13 - 20	3 rating or more
SB 21 - 25	1 rating or more

Incorporation of forward looking information in ECL measurement

The Group determines the macroeconomic outlook, over a planning horizon of at least three years, based on the Group's global outlook and its global view of the economy.

For Business and Commercial Clients (BCC)and Consumer and High Net Worth Clients (CHNW) these forward looking economic expectations are included in the ECL where adjustments are made based on the Group's macro- economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the Group's macro-economic outlook expectations. In addition to forward-looking macroeconomic information, other types of FLI (Forward Looking Information), such as specific event risk, have been taken into account in ECL estimates when required, through the application of out-of-model adjustment.

The Group's macroeconomic outlooks are incorporated in corporate, sovereign and bank clients rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the Group's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Ugandan economic expectations

The base case is the forecast showing the most likely trend in which key economic indicators will evolve. It is assigned a 65% probability. In this instance, the CBR is expected hold at 6% through 2022. as the Monetary Policy Committee (MPC) maintains an accommodative stance to support economic recovery and spur private sector growth through affordable credit from Financial Institutions. GDP growth recovers in FY2021/22 largely due to positive base effects and an increase in oil related investments in H1:22.

The bear case on the other hand shows the possible pessimistic trend in which key economic indicators may evolve and is assigned a probability of 25%. For instance, the CBR is hiked in early 2022 to counter rising inflation expectations occurring from largely supply side factors. Also, in this bearish scenario, owing to the variants of Covid 19 that are resistant to current vaccinations and slow vaccine roll out, new Covid 19 cases spike in Uganda which overwhelms the health system. This forces the government to retain some public health measures and also increase their stringency until 2023.

The bull case shows the possible optimistic trend in which key economic indicators may evolve and is assigned a probability of 10%. For instance, the CBR is reduced much earlier as the Monetary Policy Committee (MPC) looks beyond positive headline GDP growth numbers being spurred by unwinding base effects and looks to revive tepid private sector credit growth. The UShs continues to remain range bound underpinned by rising FDI and foreign portfolio investments in government securities. The relatively stable UShs also helps spur private consumption expenditure, thereby improving asset quality for commercial banks and lowering NPLs.

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the IFRS9 provision on financial assets. For each scenario, namely, the base case, bullish and bearish scenario, the average values of the factors over the next 12 months, and over the remaining forecast period, are presented.

2021	Base scenario		Bearish scenario		Bullish scenario	
Macroeconomic factors	Next 12 months[3]	Remaining forecast period[2]	Next 12 months[3]	Remaining forecast period[2]	Next 12 months[3]	Remaining forecast period[2]
Uganda						
Inflation (%)	**5.5**	**3.7**	**5.8**	**4.5**	**3.6**	**2.5**
Real GDP[1] (%)	**6.0**	**7.3**	**4.5**	**6.0**	**7.5**	**7.9**
Policy Rate (%)	**6.5**	**6.0**	**8.0**	**8.0**	**6.0**	**5.5**
91-Day T-Bill (%)	**7.5**	**6.7**	**10.4**	**10.1**	**6.4**	**5.9**
Exchange rate USD/UShs	**3,600**	**3,650**	**3,800**	**4,027**	**3,500**	**3,480**
Prime lending rate (%)	**16.0**	**15.5**	**17.5**	**17.5**	**15.5**	**15.0**
2020						
Inflation (%)	4.8	4.2	6.4	5.6	4.1	2.9
Real GDP1 (%)	5.0	6.7	3.9	6.0	6.4	7.5
Policy Rate (%)	7.0	6.5	9.0	8.0	6.5	5.5
91-Day T-Bill (%)	8.3	8.4	11.0	10.5	7.5	7.6
Exchange rate USD/UShs	3,808	3,961	4,240	4,271	3,719	3,796
Prime lending rate (%)	16.0	14.5	18.0	16.0	15.5	13.5

1 Gross domestic product
2 The remaining forecast period is 2023 to 2025
3 Next 12 months following 31 December 2021 is 1 January 2022 to 31 December 2022

2020 - The scenario weighted average is: Base at 55%, Bull at 25% and Bear at 20%.

Sensitivity analysis of CIB forward looking impact on IFRS 9 provision

Management assessed and considered the sensitivity of the IFRS 9 provision against the forward looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting IFRS 9 provision for the individual client. Therefore the impact of forward looking economic conditions is embedded into the total IFRS 9 provision for each CIB client and cannot be stressed or separated out of the overall CIB IFRS 9 provision.

Sensitivity analysis of BCC and CHNW forward looking impact on IFRS 9 provision

The following table shows a comparison of the forward-looking impact on the IFRS 9 provision as at 31 December 2021 based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighing of the above factors.

Macro economic factors

	2021		2020	
Allowances for credit losses	Forward looking component of ECL provision UShs' 000	Income statement (release)/charge UShs' 000	Forward looking component of ECL provision UShs' 000	Income statement (release)/charge UShs' 000
Scenarios				
100% Base	**3,068,074**	**723,727**	2,344,346	(3,870,455)
100% Bear	**14,353,920**	**1,933,940**	12,419,980	317,540
100% Bull	**377,783**	**(1,537,989)**	1,915,772	(1,870,374)
Total ECL impact	**17,799,777**	**1,119,678**	16,680,098	(5,423,289)

BCC and CHNW Impairment Model Overlays:

The portfolio model

For the portfolio model the Group applied an enhanced Significant Increase in Credit Risk (SICR) rule that includes downgrading customers who demostrate reduced ability to make loan repayments as evidenced by turnover on their operational accounts. These transfers are done in addition to the other SICR components of historical delinquency and any other qualitative factors.

The corporate model

Counterparty specific review of the population was undertaken to determine counterparties with indicators of elevated risk. To these counterparties, we applied downgrades, thus the linked Probability of Default (PD) and higher impairments for any counterparties with elevated risk. The overlay was applied to identified increased credit risk and thus transfer accounts from Stage 1 to Stage 2. The overlay proactively resulted into transfer of counterparties to Stage 2 in account of additional stress. The provisions are therefore accounted for under this stage 2 resulting into additional provisions of Ushs 4,888 Million. This amount is derived by comparing the total ECL position after including these transfers and the total ECL position without these transfers as at 31 December 2021 (2020: UShs 1,676 million).

The forward-looking model

Adoption of a minimum forward-looking for loans under stage 3 percentage (PD equivalent). This is obtained by comparing the statistically derived Forward Looking loans under stage 3 ratio based on most recent trends and comparing it to the actual under stage 3 ratio and in instances where the latter is greater, the parameter is adopted after applying an incremental percentage based on information available at the time. This model overlay has been adopted to cater for any uncertainty that comes with the impact of Covid 19 on the BCC and CHNW portfolio at large.

Approach to stage 3 impairment

Overlay applied on inputs to the provisions of loans under stage 3 counterparties in terms of the timing of the cashflows expected to be realised from the recovery and rehabilitation; we maintained cashflows in the initial projection period irrespective of passing of time and drawing closer to the realisation date thus maintaining the provisions as we monitor the Covid environment.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the Group's internal credit risk management approach and definitions. Whilst the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Group has not rebutted the 90 days past due rebuttable presumption.

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding (i.e. no reasonable expectation of recovery). This assessment considers both qualitative and quantitative information, such as past performance, behaviour and recoveries. The Group assesses whether there is a reasonable expectation of recovery at an exposure level. As such once the below criteria are met at an exposure level, the exposure is written off.

The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the Group is able to receive any further economic benefit from the impaired loan. The period defined for unsecured BCC and CHNW products are determined with reference to post-default payment behaviour such as cumulative delinquency, as well as an analysis of post write-off re-coveries. Factors that are within the Group's control are assessed and considered in the determination of the period defined for each product. The post-default payment period is generally once the rehabilitation probability (repayment of arrear instal-ments) is considered low to zero, and a period of 180 days post default with no payments; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% ECL allowance) with no reasonable expectation of recovery of the asset, or a portion thereof. As an exception to the above requirements: where the exposure is secured (or for collateralised structures), the impaired exposure can only be written off once the collateral has been realised. Post- realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. CIB products, write-off are assessed on a case-by-case basis, and approved by credit governance committee based on the individual facts and circumstances.

For unsecured exposures, post write-off collection and enforcement activities include outsourcing to external debt collection agents as well as, collection/settlement arrangements to assist clients to settle their outstanding debt.

The Group continuously monitors and reviews when exposures are written off, the levels post write of recoveries as well as the key factors causing post write-off recoveries. which ensure that the Group's point of write-off remains appropriate and that post write-off recoveries are within expectable levels after time.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). In the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Group's CIB or BCC and CHNW Credit Governance Committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset. Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

Stanbic Uganda's forward-looking economic expectations were applied in the determination of the ECL at the reporting date

A range of base, bullish and bearish forward- looking economic expectations were determined, as at 31 December 2021, for inclusion in Stanbic Bank Uganda Limited's forward-looking process and ECL calculation.

The Group's response to Covid 19

Background

Following the global novel corona virus (Covid-19) outbreak in March 2020, the Government announced that in a bid to curb the spread of the Covid-19 virus, specific measures would take effect, and this resulted in a hard lockdown that impacted majority of the sectors in the economy, with only minimal operations limited to the essential service sectors.

In April 2020, Bank of Uganda (BOU) put in place credit relief measures aimed at maintaining financial stability and reducing the economic impact of Covid-19. Guidelines were also issued to Commercial Banks, Credit Institutions and Microfinance Deposit-taking Institutions (MDIs) on how to apply the measures. BOU allowed supervised financial institutions to restructure any loan affected by the Covid-19 pandemic as long as this was done within one-year effective 1 April 2020. Within this period, eligible borrowers can have their loans restructured for up to two (2) times, and any further restructuring can be applied for and approved by BOU. In response to the pandemic, the Group initiated a Rapid Risk Review exercise to assess the credit risk profile of all the exposures on the book given the unfolding disruption triggered by the pandemic.

Counterparties with perceived high risk were placed under close monitoring as the pandemic evolved. Regular sector focused reviews were instituted and sectors under increased risk were identified. The risk appetite for the affected sectors was moderated accordingly. Furthermore, a framework to consider credit accommodations directly linked to Covid-19 was established to expedite credit relief with due consideration of the risk assumed and in accordance with BOU guidelines.

2021 update on the Group's response to Covid 19

The Covid-19 outbreak rapidly evolved in 2021 with a significant mid-year increase in cases driven by the Delta variant. On 7th June 2021, the Government imposed a 42-day nation-wide lockdown to prevent the spread of the virus. Schools and all institutions of learning were closed, and non-essential travel was restricted.

During the year, Bank of Uganda extended the Credit Relief period by 6 months to the end of September 2021 in response to the disruption triggered by the global pandemic. Following the expiry of the relief period on 30 September 2021, Bank of Uganda granted an additional one-year window within which supervised financial institutions may at their discretion grant credit relief to borrowers in the education and hospitality sectors.

The credit relief measures are aimed at helping commercial banks and other supervised financial institutions to continue restructuring loans and provide loans to the commercial banks and financial institutions to lend out to the business community.

The Group focused on early engagement of borrowers in high-risk segments and applied Bank of Uganda credit relief measures where appropriate. Management continues to actively monitor the heightened risk environment to identify and appropriately respond to any potential challenges.

The portfolio is reviewed on an ongoing basis to assess direct vulnerabilities and secondary contagion resulting from Covid-19. The Group conducts monthly sectoral reviews of bank accounts for restructured entities to observe patterns of stress across the portfolio.

Given the evolving nature of the pandemic, management on a forward-looking basis, has assessed the provisions taken as adequate to cover the inherent risk resulting from Covid-19 stress. The Credit Risk Management Committee and the Board Credit Committee are provided with monthly and quarterly updates on Covid-19 related restructures respectively.

Progress on normalization of activities is reported to the Credit Risk Management Committee and the Board Credit Committee. All clients across all segments remain subject to risk reviews with a view to establish the vulnerable entities given the emerging situation under Covid-19. Overall, the impact of Covid-19 on the portfolio has dampened economic activity with temporary effects noted save for tourism linked businesses, trade related SMEs and some segments of the real estate sectors.

Basing on the information available, adequate provisions have been taken on a forward-looking basis and management has determined that the impairment model outputs were reasonable.

Outstanding Covid 19 related restructures as at 31 December 2021

	Consumer and High Net worth Ushs'000	Business and Consumer Clients UShs'000	Corporate and Investment Banking UShs'000
Credit Exposure			
Restructured loans and advances.	**70,747,282**	**237,341,897**	**3,485,432**
provisions held			
Stage 1	**738,428**	**2,035,466**	**27,400**
Stage 2	**2,126,577**	**21,549,584**	**44,579**
Stage 3	**3,583,311**	**10,762,824**	**-**

Outstanding Covid 19 related restructures as at 31 December 2020

	Personal and Business Banking UShs'000	Corporate and Investment Banking UShs'000
Credit exposure		
Restructured loans and advances.	149,497,261	7,224,651
Provisions held		
Stage 1	741,460	3,547
Stage 2	2,009,394	44,579
Stage 3	3,235,698	-

Fair value

Financial instruments

In terms of IFRS, the Group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participantswould use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the the Group is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the Group and, in particular, provides assurance that the risk and return measures that the Group has taken are accurate and complete.

Valuation process

The Group's valuation control framework governs internal control standards, methodologies and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the Group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the Group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions.

Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to:

- credit spreads on illiquid issuers
- implied volatilities on thinly traded instruments
- correlation between risk factors
- prepayment rates
- other illiquid risk drivers.

In making appropriate valuation adjustments, the Group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- raising day one profit or loss provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- prepayment rates
- limiting exposure to such risk drivers and analysing exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated by the Group's model validation unit. This control applies to both off-the-shelf models, as well as those developed internally by the Group. Further, all inputs into the valuation models are subject to price validation procedures carried out by the Group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Valuation comparisons are also performed, and any significant variances noted are appropriately investigated.

Portfolio exception: The Group has, on meeting certain qualifying criteria, elected the portfolio exception which allows an entity to measure the fair value of certain groups of financial assets and financial liabilities on a net basis similar to how market participants would price the net risk exposure at the measurement date.

Computer software intangible assets

The Group reviews its assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates, significant changes in macroeconomic circumstances or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amount. Through the performance of the impairment test, only one intangible asset has been identified as impaired:

The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

During 2021, the Group's computer software assets' recoverable values were determined to be higher than their carrying values and therefore not impaired (Impairment 2020: UShs 1,508 million).

Current and deferred tax

The Group is subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The Group recognise provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 14 and note 20, respectively, in the period in which such determination is made. Uncertain tax positions are provided for in accordance with the criteria defined within *IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax treatments (IFRIC 23).* 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. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded, include determining whether there is an obligation, as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. For legal provisions, management assesses the probability of the outflow of resources by taking into account historical data and the status of the claim in consultation with the Group's legal counsel.

In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial results. Refer to note 34 off-Balance sheet Financial instruments, contingent liabilities and commitments disclosures.

(iii) Detailed Accounting Policies

(a) Financial instruments

Initial measurement - financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognized in profit or loss. Financial instruments are recognized (derecognized) on the date the Group commits to purchase (sell) the instruments (trade date accounting).

Financial assets

Nature

(i) Amortised cost

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):

- Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and
- 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.

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered minimal and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.

(ii) Fair value through OCI

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):

- Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cashflows and sell financial assets; and
- The contractual terms of the fi asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default. Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.

(iii) Held for trading

Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(iv) Designated at fair value through profit or loss

Financial assets are designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

(v) Fair value through profit or loss – default

Financial assets that are not classified into one of the above-mentioned financial asset categories.

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortized cost or fair value as follows:

(i) Amortised cost

Amortized cost using the effective interest method with interest recognized in interest income, less any expected credit impairment losses which are recognized as part of credit impairment charges.

Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.

(ii) Fair value through OCI

Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss.

(iii) Held for trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

(iv) Designated at fair value through profit or loss

Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

(v) Fair value through profit or loss – default

Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Impairment

ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are not measured at fair value through profit or loss. The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability- weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

The key components of the impairment methodology are described as follows:

Significant increase in credit risk (SICR)	At each reporting date the Group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or group of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider. Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the Group's impairment methodology calculations and in the Group's assessment of SICR. The Group includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

Financial liabilities

Nature

Held-for-trading

Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Designated at fair value through profit or loss

Financial liabilities are designated to be measured at fair value in the following instances:

- to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis.
- where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.

Amortised cost

All other financial liabilities not included in the above categories.

Subsequent measurement: Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Designated at fair value through profit or loss

Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue.

Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.

Amortised cost

Amortised cost using the effective interest method recognised in interest expense.

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised or modified in the following instances:

	Derecognition	Modification
Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

Financial guarantee contracts or loan commitment below market rate

A financial guarantee contract is a contract that requires the Group(issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee.

A loan commitment is described in IFRS 9 as a firm commitment to provide credit under specified terms and conditions. It is a binding promise from a lender that a specified amount of loan or line of credit will be made available to the named borrower at a certain interest rate, during a certain period and, usually, for a certain purpose. Loan commitments at a below market interest rate are initially recognised when the Group become party to the irrevocable commitment at fair value.

Financial guarantee contracts (that are not designated at fair value through profit or loss) and loan commitments at a below market interest rate, are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee or loan commitments; or
- unamortised premium.

Derivative financial instruments
Derivatives and embedded derivatives

In the normal course of business, the Group enters into a variety of derivative transactions for both trading and economic hedging purposes.

Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures.

Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities. Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue.

This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs, and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Embedded derivatives included in hybrid instruments, where the host is a financial asset, is assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant bank accounting policy.

The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

Offsetting

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Statutory credit risk reserve

In addition to the measurement of impairment losses on loans and advances in accordance with the International Financial Reporting Standards (IFRS) as set out above, the Group is required by the Financial Institutions Act (FIA) 2004, as amended to establish minimum provisions for losses on loans and advances as follows:

i) A specific provision for those loans and advances considered to be non- performing based on criteria and classification of such loans and advances established by the Group of Uganda, as;

   a) Substandard assets being facilities in arrears between 90 and 179 days – 20%.

   b) Doubtful assets being facilities in arrears between 180 days and 364 days – 50%.

   c) Loss assets being facilities in arrears between over 364 days – 100%.

ii) A general provision of at least 1% of their total outstanding credit facilities net of specific provisions and interest in suspense.

   Where provisions for impairment of loans and advances determined in accordance with the Financial Institutions Act 2004, as amended exceed amounts determined in accordance with International Financial Reporting Standards, the excess is taken to the statutory credit risk reserve as an appropriation of retained earnings. Otherwise, no further accounting entries are made.

   Included on the face of the statement of financial position, the below Financial assets and liabilities have been reported separately.

(i) Due from other banks and group companies

Due from other banks includes inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Financial investments

Included in the financial investments are investment securities which include only interest-bearing assets classified as financial investments are measured at fair value. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics and equity securities at fair value through profit or loss.

(iv) Financial liabilities

Included in the financial liabilities are due to other banks, customers and group companies. The estimated fair value of deposits with no stated maturity, which includes non- interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest- bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(b) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold premises and buildings	50 years or over the shorter period of lease
Furniture and fittings	5 years
Motor vehicles	5 years
Other computer equipment	5 years
Laptops and personal computers	4 years
Office equipment	8 years

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

(c) Intangible assets

Goodwill

Goodwill arises on business combinations and represents the excess of the consideration transferred over the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non–controlling interest in the acquiree.

Goodwill on acquisitions is reported in the statement of financial position as an intangible asset.

At each statement of financial position date, the Group assesses whether there is any indication of impairment. If such indications exist, the goodwill is first allocated to a cash generating unit (CGU) once an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable.

A write down is made if the carrying amount exceeds the recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of other assets in the CGU on a pro rata basis.

Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred on a straight line basis at rates appropriate to the expected lives of the assets (2 to 15 years) from the date that the asset is available for use. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group 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 an 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.
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed fifteen years.

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 on the basis of the expected useful lives.

(d) Impairment of non-financial assets

Tangible assets (property, equipment, land and right-of-use assets)

These assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. 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. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest cash generating units (CGUs). Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through non-trading and capital related items.

Goodwill

The accounting treatment is generally the same as that for tangible assets except as noted below.

- Goodwill is tested annually for impairment and additionally when an indicator of impairment exists.
- An impairment loss in respect of goodwill is not reversed.

Computer software

Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists. The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets

(e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months 'maturity from the date of acquisition, including cash and non-restricted balances with the Central Bank treasury bills and other eligible bills, loans and advances to Banks, amounts due from other banks and government securities.

(f) Accounting for leases

<table>
<tr><th>TYPE AND DESCRIPTION</th><th>STATEMENT OF FINANCIAL POSITION</th><th>INCOME STATEMENT</th></tr>
<tr><td colspan="3">Lessee accounting policies</td></tr>
<tr><td>Single lessee accounting model

All leases are accounted for by recognising a right-of-use asset and a lease liability except for: leases of low value assets; and leases with a duration of twelve months or less.</td><td>Lease liabilities:
Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the Group) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The Group's standardised funding transfer pricing rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:
• Amounts expected to be payable under any residual value guarantee.
• The exercise price of any purchase option granted in favour of the Group, should it be reasonably certain that this option will be exercised.
• Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets:
Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
• lease payments made at or before commencement of the lease;
• initial direct costs incurred; and
• the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.
The Group applies the cost model subsequent to the initial measurement of the right-of-use assets.

Termination of leases:
When the Group or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognised.</td><td>Interest expense on lease liabilities:
A lease finance cost, determined with reference to the interest rate implicit in the lease or the Group's incremental borrowing rate, is recognised within interest expense over the lease period.

Depreciation on right-of-use assets:
Subsequent to initial measurement, the right- of-use assets are depreciated on a straight- line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the Group at the end of the lease term, whereby the right-of- use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of depreciation and amortisation.

Termination of leases:
On derecognition of the right-of-use asset and lease liability, any difference is recognised as a derecognition gain or loss together with termination or cancelation costs in profit or loss.</td></tr>
</table>

TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	INCOME STATEMENT
Lessee Accounting policies continued		
All leases that meet the criteria as either a lease of a low value asset or a short term lease are accounted for on a straight-line basis over the lease term.	Accruals for unpaid lease charges, together with a Payments made under these leases, net straight-line lease asset or liability, being the difference of any incentives received from the lessor, between actual payments and the straight-line lease are recognised in operating expenses on expense are recognised a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.	
Reassessment and modification of leases	**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:** When the Group reassesses the terms of any lease (i.e., it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right-of-use asset is reduced to zero any further reduction in the measurement of the lease liability, is recognised in profit or loss. For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease. **Lease modifications that are accounted for as a separate lease:** When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modification as a separate new lease. This accounting treatment equally applies to leases which the Group elected the short-term lease exemption and the lease term is subsequently modified.	
Lessor lease modifications		
Finance leases	When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modifications as a separate new lease. All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.	
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.	

(g) Sale and repurchase agreements

Sale and repurchase agreements and lending of securities (including commodities)

Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposits and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate.

For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

(h) Provisions, contingent assets and contingent liabilities

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the statement of financial position date.

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received

Contingent assets

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the Group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control

Contingent liabilities

Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

(i) Share capital

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Ordinary shares are classified as equity.

Dividends on ordinary shares Dividends on ordinary shares are charged to equity in the period in which they are declared. Dividends declared after the statement of financial position date are disclosed in the dividend note. This is transferred from retained earnings to a separate item of equity.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(j) Equity compensation plans

The parent company operates two equity settled share-based compensation plans through which certain key management staffs of the Group are compensated. The fair value of equity settled share options is determined on the grant date and accounted for as an employee service expense over the vesting period of the share options. At each statement of financial position date, the estimate of the number of options expected to vest is reassessed and adjusted against income over the remaining vesting period.

(k) Interest income and expense

Interest income and expense are recognised in the profit or loss using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss.

The 'Effective interest rate' is the rate that exactly discounts estimated future payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial assets; or
- The amortised cost of the financials liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument but not ECL. For purchased or originated credit- impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received between parties of the contract that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the income statement include interest on financial assets and financial liabilities measured at amortised cost.

When loans and advances become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the original effective interest rate that is used to discount future cash flows for the purpose of measuring the recoverable amount.

Fair value gains and losses on realised debt financial instruments, including amounts reclassified from OCI in respect of financial investments financial assets, and excluding those classified as trading assets, are included in net interest income.

(l) Net fees and commission

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

Loan syndication fees, where the Group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

Performance obligation and revenue recognition policies

Type of service	Description of the service	Revenue recognition
Transactional and service related	These are service and transactional fee-based revenue that mainly comprise of but are not limited to commissions on cheques cashed, bank statement charges, auxiliary charges, management fees, advisory fees, payments and collection related fees.	Revenue from account service fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.
Trade related	These are origination and processing fees relating to issuance of guarantees, performance bonds and letters of credit.	Revenue related to trade fees is recognised at the point in time when the transaction takes place.
Credit related	These fees include mainly loan arrangement fees, search fees, loan processing fees on short term facilities, commitment fees which are amortized over the period of the loan using the EIR model.	Revenue from credit related fees is recognised over time as the services are provided.

(m) Net trading revenue

Net trading revenue comprises gains or losses related to trading assets and liabilities, and include all realised and unrealised fair value changes, interest and foreign exchange differences.

(n) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of other operating income based on the underlying classification of the equity investment.

(o) Income tax

Income tax expense is the aggregate of the charge to the income statement in respect of current income tax and deferred income tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences.

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 rates used are based on laws enacted or substantially enacted at the reporting date.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

However, if the deferred income tax 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 affectsneither accounting nor taxable profit nor loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised or for items recognised in OCI and Equity.

Deferred tax is recognised in direct taxation except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses
- investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the Group controls the timing of the reversal of temporary differences, and it is probable that these differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

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.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using tax rates currently enacted.

(p) Employee benefits

(i) Retirement benefit obligations

The Group operates a defined contribution pension scheme for its employees. The defined contribution plan is a pension plan under which the Group pays fixed contributions into a fund managed by a board of trustees and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

In addition, all employees are obliged to be members of the National Social Security Fund, a state managed defined contribution pension scheme. The Group contributes to the scheme in line with the requirements of the National Social Security Fund Act. The regular contributions by the Group and employees constitute net periodic costs for the year in which they are due and as such are included in employee benefit expenses. The Group's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate.

(ii) Short term benefits

Short term benefits consist of salaries, accumulated leave payments, bonuses and any non-monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expenses as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus plans or accumulated leave if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be reliably estimated. A liability is recognised to the best estimate of the amount to settle the obligation

(iv Equity-linked transactions

Equity-settled share-based payments

The fair value of the equity-settled share-based payments are determined on grant date and accounted for within operating expenses (staff costs) over the vesting period with a corresponding increase in the group's share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against operating expenses and share-based payment reserve over the remaining vesting period.

On vesting of the equity-settled share-based payments, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of the equity-settled share-based payment, any proceeds received are credited to share capital and premium.

Cash-settled share-based payments

Cash-settled share-based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses (staff costs). The awards vest over the specified period of service and/or once the performance conditions are met.

(v) Other entitlements

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

(q) Segment reporting

An operating segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments and whose operating results are reviewed to assess its performance and for which discrete financial information is available. The Group's primary business segmentation is based on the Group's internal reporting about components of the Group as regularly reviewed by the Board and executive management committees. Segments results include items directly attributable to a segment as well as those that are allocated on a reasonable basis. Business segments are the only segments presented since the Group operates in a single geographical segment, Uganda.

2.2 New standards and interpretations not yet adopted by the Group

The following new or revised standards,amendments and interpretations are not yet effective for the year ended 31 December 2021 and have not been applied in preparing these annual financial statements.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)

Effective date: deferred the effective date for these amendments indefinitely The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the Group's financial statements.

IAS 1 Presentation of Financial Statements (amendments) **(Effective for annual periods beginning on or after 1 January 2023)**

The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.

The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a significant impact on the Group's annual financial statements.

3. Financial Risk Management

(a) Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. Risk management is carried out centrally under policies approved by the Board of Directors. The Global Markets team identifies, evaluates and hedges financial risks in close co- operation with the Group's 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, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

The Group also seeks to raise its interest margins by obtaining above- average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-statement of financial position loans and advances, the Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds. The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments to take advantage of short-term market movements in bonds, currency and interest rate. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Foreign exchange and interest rate exposures associated derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

(b) Capital management

The Group's objectives when managing capital, which is a broader concept than the equity on the face of the statement of financial position, are:

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

The Group's banking subsidiary - Stanbic Bank Uganda Limited (The "Bank") monitors the adequacy of its capital using capital adequacy ratios established under the Financial Institutions Act 2004, as amended (FIA) which ratios are broadly in line with those for the Group for International Settlements (BIS). In addition under the same law, the Group is required to maintain minimum paid up capital of UShs 25 billion. The Group is compliant with this requirement with a holding of UShs 51 billion. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets, off- balance- sheet commitments at weighted amounts to reflect their relative risk.

The market risk approach covers the general market risk and the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, and 100%) are applied. Certain asset categories have intermediate weightings. The Group is required at all times to maintain a core capital (tier 1) of not less than 10% of total risk adjusted assets plus risk adjusted items off the statement of financial position and a total capital (tier 1 + tier 2) of not less than 12% of its total risk adjusted assets plus risk adjusted items off the statement of financial position.

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 statement of financial position equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets.

Tier 1 capital consists of shareholders' equity comprising paid up share capital, share premium and retained earnings less intangible assets, deferred income tax asset and investments in financial companies, not consolidated. Tier 2 capital includes the Group's eligible long-term loans, and general provisions. Tier 2 capital is limited to 50% of Tier 1 capital.

The table below summarizes a composition of regulatory capital for Stanbic Bank Uganda Limited

	2021 UShs' 000	2020 UShs' 000
Core capital (Tier 1)		
Shareholders' equity	51,188,670	51,188,670
Share premium	829,879,881	829,879,881
Retained earnings	529,229,421	208,791,259
Less: Deductions determined by Bank of Uganda	(134,957,779)	(171,895,125)
Total core capital	1,275,340,193	917,964,685
Supplementary capital (Tier 2)		
Unencumbered general provisions for losses	57,445,269	55,722,812
Subordinated term debt	71,753,914	73,022,525
Total supplementary capital	129,199,183	128,745,337
Total capital (core and supplementary)	1,404,539,376	1,046,710,022

Breakdown of deductions determined by the Financial Institutions Act 2004, as amended.

	2021 UShs' 000	2020 UShs' 000
Goodwill and other intangible assets	82,293,413	93,447,576
Unrealised Gains on securities	10,285,907	32,073,957
Deferred tax asset	42,378,459	43,860,049
Fairvalue through OCI reserve (loss)	-	2,513,543
	134,957,779	171,895,125

The Bank's capital adequacy level was as follows:

	Risk Weight			Risk weighted balance	
			2020 UShs' 000	2021 UShs' 000	2020 UShs' 000
Statement of financial position					
Cash and balances with Bank of Uganda	0%	985,199,682	1,155,797,738	-	-
Financial investments	0%	844,166,562	721,573,358	-	-
Other financial investments	100%	178,468	199,424	178,468	199,424
Trading assets	0%	1,057,416,156	1,101,949,038	-	-
Pledged assets	0%	3,840,314	460,527,242	-	-
Placements with local banks	20%	109,489,724	91,104,336	21,897,944	18,220,867
Repurchase loan agreement	0%	150,030,812	-	-	-
*Placements with foreign banks		846,732,827	592,940,361	431,632,741	329,705,881
Amounts due from group companies	100%	401,305,727	354,917,315	401,305,727	354,917,315
Loans and advances to customers-regulatory basis	100%	3,824,590,968	3,710,775,005	3,319,457,223	2,987,077,846
Other assets	100%	371,122,899	241,548,747	371,122,899	241,548,747
Deferred tax asset	0%	42,378,459	43,860,049	-	-
Goodwill	0%	1,901,592	1,901,592	-	-
Other intangible assets	0%	80,391,821	91,545,984	-	-
Property, equipment and right of use asset	100%	76,166,502	80,159,638	76,166,502	80,159,638
		8,794,912,513	8,648,799,827	4,621,761,504	4,011,829,718
Off-balance sheet items					
Contingencies secured by cash collateral	0%	56,377,886	37,657,128	-	-
Guarantees and acceptances	100%	6,780,070	33,937,949	6,780,070	33,937,949
Performance bonds	50%	1,662,109,349	1,564,579,190	831,054,675	782,289,595
Trade related and self liquidating credits	20%	194,668,616	225,282,651	38,933,723	45,066,394
Other commitments	50%	1,237,793,640	1,433,445,628	618,896,820	716,722,814
		3,157,729,561	3,294,902,546	1,495,665,288	1,578,016,752
Counterparty Risk				31,595,951	13,384,030
Market Risk				266,416,380	221,981,066
Total risk weighted assets				6,415,439,123	5,825,211,566

*Placements with foreign banks**

The risk weights applied to placements with foreign banks are determined in accordance with the internal credit ratings of each bank as follows:

Category	Risk Weight	Financial position nominal balance		Risk weighted balance	
		2021 USh s' 000	2020 USh s' 000	2021 USh s' 000	2020 USh s' 000
Rated AAA to AA (-)	20%	-	476,179	-	95,236
Rated A (+) to A (-)	50%	830,200,172	525,707,074	415,100,086	262,853,537
Rated A (-) to non-rated	100%	16,532,655	66,757,108	16,532,655	66,757,108
Total		846,732,827	592,940,361	431,632,741	329,705,881

Tier 1 and Tier 2 capital

	Capital		Bank ratio		FIA minimum ratio	
	2021 USh s' 000	2020 USh s' 000	2021 %	2020 %	2021 %	2020 %
Tier 1 capital	1,275,340,193	917,964,685	19.9%	15.8%	10%	10%
Tier 1 + Tier 2 capital	1,404,539,376	1,046,710,022	21.9%	18.0%	12%	12%

The financial institutions (Capital Buffers and Leverage Ratio) Regulations, 2020 were gazetted and took effect on 31 December 2020. One of the objectives is to provide financial institutions with a buffer for losses during periods of financial and economic stress without breaching the minimum core capital and total capital adequacy requirements so as to protect the financial institutions sector from the build-up of systemic risks during an economic upswing when aggregate credit growth tends to be excessive and reduce the likelihood of impairment or failure of systemically important financial institutions.

This introduces a Capital Conservation buffer of 2.5%, a Systemic Risk Buffer for domestic systemically important banks ranging from 0% to 3.5% and a Countercyclical Buffer ranging from 0% to 2.5%. The buffers are calculated as a percentage of total risk adjusted assets plus risk adjusted off balance sheet items. The buffers are added on the minimum total capital and core capital ratios.

The regulations also introduce a minimum leverage ratio of 6%. This is calculated as the core capital divided by the total balance sheet plus off-balance sheet exposure.

The transition from Basel I to Basel II capital accord introduces a requirement for the Bank to hold capital for operational risk. A parallel run of both capital regimes, as at 31 December 2021 shows that under Basel I, Total CAR and Core CAR are 23.15% and 21.14% respectively. When measured under Basel II capital accord, they are 20.61% and 18.82% respectively. As a result, under Basel II capital accord, the Bank requires more capital to run the same business than was required under Basel I.

The Bank of Uganda will prescribe the required systemic risk buffer and the countercyclical buffer to financial institutions. The Bank's capital adequacy ratio of 19.9% and 21.9% for core capital and total capital respectively as well as the leverage ratio at 58.7% is within the regulatory requirements.

Loans and advances to customers are stated net of provisions as determined in accordance with the Financial Institutions Act, 2004 as amended.

1. The risk weight for local banks is 20% and for balances with Bank of Uganda is 0%.
2. Foreign banks are rated based off the risk ratings from international rating agencies. These are categorized as below;

Loans and advances to customers for regulatory capital purposes

	2021 USh s'000	2020 USh s'000
Gross Loan and advances	3,924,266,315	3,798,199,309
Specific provisions (regulatory)	(85,984,754)	(72,229,055)
Interest in suspense(regulatory)	(13,690,593)	(15,195,249)
	3,824,590,968	3,710,775,005
Less		
Loans secured by government securities	-	(49,110,068)
Loan to Government of Uganda	(503,289,483)	(672,367,601)
Loans secured by cash cover	(1,844,262)	(2,219,490)
Loans secured by inward bankers guarantees	(7,184,638)	(7,682,580)
	3,312,272,585	2,979,395,266

Reconciliation of loans and advances to customers between IFRS and FIA

	2021 UShs'000	2020 UShs'000
Gross loans and advances (IFRS purposes)	3,896,645,056	3,791,098,436
Written off facilities according to FIA, 2004 as amended	(12,775,429)	(19,309,907)
Staff loans fair value adjustment	21,389,258	15,927,551
Modification losses (gains)	6,747,966	(266,740)
Effective interest rate adjustment	12,259,464	10,749,969
Gross loans and advances for regulatory purposes	**3,924,266,315**	3,798,199,309

Stanbic Bank Uganda Limited holds loans and advances for which it is required to write them off in accordance with the Financial Institutions Act 2004, as amended. However, these loans are not yet due for write off in accordance with IFRS. These facilities are adjusted out of the loan book when preparing capital ratios.

Adjustments are made for other IFRS requirements to arrive at the loans and advances amount required by the Financial Institutions Act 2004, as amended.

The Group's credit concentration

As at 31 December 2021, the Group had one customer with an aggregate amount exceeding twenty five percent of the Group's core capital extended to a single person or group of related persons totalling to UShs 503,289 million on balance sheet exposures for which Bank of Uganda's no objection was obtained (2020: UShs 672,367 million on balance sheet and UShs 386,643 million off balance sheet).

3(c) Credit risk

Definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk (including borrowers and trading counterparties), concentration risk and country risk.

Approach to managing and measuring credit risk

The Group's credit risk is a function of its business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk arising from derivative and securities financing contracts entered into with our customers and trading counterparties. The management of credit risk is aligned to the Group's three lines of defence framework. The business functions owns the credit risk assumed by the Group and as the first line of defence is primarily responsible for its management, control and optimisation in the course of business generation.

The credit function acts as the second line of defence and is responsible for providing independent and objective approval and oversight for the credit risk-taking activities of business, to ensure the process of procuring revenue, while assuming optimal risk, is undertaken with integrity. Further second- line oversight is provided by the Group risk function through independent credit risk assurance.

The third line of defence is provided by the Group's internal audit, under its mandate from the Group audit committee. The fourth line of defence is provided by external audit.

Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the Group, from an individual facility level through to an aggregate portfolio level
- defining, implementing and continually re- evaluating risk appetite under actual and stressed conditions
- monitoring the Group's credit risk exposure relative to approved limits
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within the Group's approved risk appetite. All primary lending credit limits are set and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD). Pre-settlement counterparty credit risk (CCR) inherent in trading book exposures is measured on a potential future exposure (PFE) basis, modelled at a defined level of confidence, using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

Credit risk mitigation

Wherever warranted, the Group will attempt to mitigate credit risk, including CCR to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on- and off- balance sheet netting are widely used to mitigate credit risk. Credit risk mitigation policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used. In the case of collateral where the Group has an unassailable legal title, the Group's policy is such that collateral is required to meet certain criteria for recognition in loss given default (LGD) modelling, including:

- is readily marketable and liquid
- is legally perfected and enforceable
- has a low valuation volatility
- is readily realisable at minimum expense
- has no material correlation to the obligor credit quality
- has an active secondary market for resale.

The main types of collateral obtained by the Group for its banking book exposures include:

- mortgage bonds over residential, commercial and industrial properties
- cession of book debts
- bonds over plant and equipment
- the underlying movable assets financed under leases and
- instalment sales.

Reverse repurchase agreements and commodity leases to customers are collateralised by the underlying assets.

Guarantees and related legal contracts are often required, particularly in support of credit extension to groups of companies and weaker obligors. Guarantors include banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.

For trading and derivatives transactions where collateral support is considered necessary, the Group typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure (CSA). Netting agreements, such as collateral under the CSA of an ISDA agreement, are only obtained where the Group firstly, has a legally enforceable right to offset credit risk by way of such an agreement, and secondly, where the Group has the intention of utilising such agreement to settle on a net basis.

Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if the mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

Wrong-way risk arises in transactions where the likelihood of default (i.e. the probability of default (PD) by a counterparty and the size of credit exposure (as measured by EAD) to that counterparty tend to increase at the same time. This risk is managed both at an individual counterparty level and at an aggregate portfolio level by limiting exposure to such transactions, taking adverse correlation into account in the measurement and mitigation of credit exposure and increasing oversight and approval levels.

The Group has no appetite for wrong-way risk arising where the correlation between EAD and PD is due to a legal, economic, strategic or similar relationship (i.e. specific wrong-way risk). General wrong-way risk, which arises when the correlation between EAD and PD for the counterparty, due mainly to macro factors, is closely managed within existing risk frameworks.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, the Group implements hedging and other strategies from time-to-time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.

Credit portfolio characteristics and metrics in terms of IFRS 9

Maximum exposure to credit risk

Debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the Group's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the Group's master rating scale. Exposures that are not within 1 to 25 are considered to be in default.

Default

The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Group will not rebut IFRS 9's 90 days past due rebuttable presumption. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- a breach of contract, such as default or delinquency in interest and/or principal payments
- disappearance of active market due to financial difficulties
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider.

Collateral

The Group 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 Group 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 business assets such as premises, inventory and accounts receivable
- 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. In addition, in order to minimise the credit losses the Group may seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by 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.

Derivatives

The Group maintains strict control limits on net open derivative positions (ie, the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie, assets where their fair value is positive), which in relation to derivatives is a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

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 Group 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 Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

ECL coverage

GROUP	2021 Loans and advances %	2021 Coverage ratio	2020 Loans and advances %	2020 Coverage ratio
Stage 1	**90.5**	**0.8**	93.3	0.8
Stage 2	**6.0**	**12.6**	2.7	17.7
Stage 3	**3.5**	**55.4**	4.0	61.2
	100.0		100.0	

Credit risk exposures relating to assets included on the statement of financial position are as follows:

	GROUP		COMPANY	
	2021 UShs'000	2020 UShs'000	**2021 UShs'000**	2020 UShs'000
Balances with Bank of Uganda	**552,252,953**	712,707,085	**-**	-
Loans and advances to banks	**1,506,230,304**	1,037,098,743	**34,808,894**	154,995,286
Financial investments				
Treasury bonds -FVOCI	**506,340,724**	415,818,251	**-**	-
Treasury bills - FVOCI	**337,825,838**	305,755,107	**-**	-
Pledged assets	**3,840,314**	107,951,960	**-**	-
Loans and advances to customers				
Loans to individuals				
Overdrafts	**65,754,097**	107,792,846	**-**	-
Term loans	**888,892,084**	1,227,043,295	**-**	-
Mortgages	**151,291,900**	293,360,776	**-**	-
Loans to corporate entities				
Large corporate entities	**1,783,666,706**	1,924,507,972	**-**	-
Small and medium size entities	**1,007,040,269**	238,393,546	**-**	-
Trading assets				
Treasury bonds	**848,381,748**	529,104,511	**-**	-
Treasury bills	**209,034,408**	572,844,527	**-**	-
Pledged assets	**-**	352,575,282	**-**	-
Derivative assets	**129,164,041**	160,917,126	**-**	-
Other assets and related party receivables.	**268,302,341**	98,471,331	**1,455,027**	227,504
	8,258,017,727	8,084,342,358	**36,263,921**	155,222,790

Credit risk exposure relating to assets not on the statement of financial position are as follows:

Financial guarantees	**1,696,232,281**	1,623,737,529	**-**	-
Loan commitments and other credit related liabilities	**1,237,793,640**	1,433,445,628	**-**	-
	2,934,025,921	3,057,183,157	**-**	-
	11,192,043,648	11,141,525,515	**36,263,921**	155,222,790

The above table represents a worst-case scenario of credit risk exposure to the Group at 31 December 2021 and 2020, 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 net carrying amounts as reported in the statement of financial position.

The table below shows the collateral for the secured loans as at 31 December 2021

As at 31 December 2021							Collateral coverage
	Customer loans	Netting off agreements	Exposure after netting off	0-50%	51-100%	Over 100%	Total
GROUP	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Secured loans	**1,336,244,433**	**1,844,262**	**1,334,400,171**	**112,026,189**	**822,177,540**	**400,196,442**	**1,334,400,171**
Unsecured loans	**2,560,400,623**	**-**	**2,560,400,623**	**-**	**-**	**-**	**-**
	3,896,645,056	**1,844,262**	**3,894,800,794**	**112,026,189**	**822,177,540**	**400,196,442**	**1,334,400,171**

As at 31 December 2020							Collateral coverage
	Customer loans	Netting off agreements	Exposure after netting off	0-50%	51-100%	Over 100%	Total
GROUP	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Secured loans	1,295,067,805	2,219,490	1,292,848,315	156,325,695	751,033,277	385,489,343	1,292,848,315
Unsecured loans	2,496,030,630	-	2,496,030,630	-	-	-	-
	3,791,098,435	2,219,490	3,788,878,945	156,325,695	751,033,277	385,489,343	1,292,848,315

Management remains confident in its ability to continue to control the exposure of credit risk to the Group resulting from both its loan and advances portfolio and debt securities based on the following:

- 90.5% and 6.0% of the loans and advances portfolio is categorised in stage 1 and stage 2 respectively (2020: 93.3% stage 1 and 2.7% stage 2)
- Mortgage loans, are backed by collateral
- All debt securities held by the Group are issued by the Bank of Uganda on behalf of the Government of Uganda.

Loans and advances are summarized as follows

		2021		2020
GROUP	**Loans and advances to customers**	**Loans and advances to banks**	Loans and advances to customers	Loans and advances to banks
	UShs'000	**UShs'000**	UShs'000	UShs'000
Stage 1	**3,420,015,119**	**1,106,253,364**	3,494,165,995	684,044,697
Stage 2	**299,475,954**	**-**	120,037,393	-
Stage 3	**177,153,983**	**-**	176,895,047	-
Gross loans and advances	**3,896,645,056**	**1,106,253,364**	3,791,098,435	684,044,697
Allowances for impairment	**(169,372,214)**	**(131,348)**	(165,089,082)	(115,209)
Interest In Suspense	**(5,199,772)**	**-**	(7,656,032)	
	3,722,073,070	**1,106,122,016**	3,618,353,321	683,929,488

The allowance for impairment are summarized per segment as follows:

		31 December 2021		31 December 2020
GROUP	**Loans and advances to customers UShs'000**	**Loans and advances to banks UShs'000**	Loans and advances to customers UShs'000	Loans and advances to banks UShs'000
BCC and CHNW				
Mortgage lending	**27,733,788**	**-**	12,511,935	-
Instalment sales and finance Leases	**12,331,322**	**-**	8,314,696	-
Card debtors	**1,472,104**	**-**	1,049,747	-
Other loans and advances	**112,651,264**	**-**	92,065,156	-
Corporate and Investment Banking				
Corporate lending	**20,383,508**	**131,348**	58,803,580	115,209
	174,571,986	**131,348**	172,745,114	115,209

The total impairment provision for loans and advances is UShs 169,372 million (2020: UShs 165,089 million) of which UShs 98,066 million is stage 3 impairment (2020: UShs 108,285 million). Further information on the impairment allowance for loans and advances to banks and to customers is provided in Notes 18 and 19.

The table below illustrates the credit risk for debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure as per the Group's master rating scale.

		SB 1-12	SB 13 - 20		SB 21 - 25	Default						
GROUP As at 31 December, 2021	Total Gross Carrying Amounts Ushs'000	Stage 1 Ushs'000	Stage 1 Ushs'000	Stage 2 Ushs'000	Stage 2 Ushs'000	Stage 3 Ushs'000	Total gross carrying amount of default exposures Ushs'000	Securities and expected recoveries on default exposures Ushs'000	Interest in suspense on default exposures Ushs'000	Balance sheet impairments for non performing specifically impaired loans (Stage 3 and purchased or originated credit impaired) Ushs'000	Gross specific impairment coverage %	Non-performing exposures (%)
Loans and advances at amortised cost												
BCC and CHNW												
Mortgage loans	**151,291,900**	-	67,853,411	-	41,309,321	42,129,168	**42,129,168**	**30,001,965**	298,674	11,828,529	29%	28%
Vehicle and asset finance	**159,452,367**	-	109,854,014	-	29,110,528	20,487,825	**20,487,825**	**4,741,570**	114,646	15,631,609	77%	13%
Card debtors	**3,750,141**	-	213,955	-	3,379,019	157,167	**157,167**	**74,004**	-	83,163	53%	4%
Other loans and advances	**1,798,483,942**	**-**	**1,466,890,592**	**-**	**220,888,711**	**110,704,639**	**110,704,639**	**39,071,016**	**4,786,452**	**66,847,171**	65%	6%
Personal unsecured lending	**1,064,116,653**	-	957,582,073	-	82,242,534	34,292,046	**34,292,046**	**(6,577,189)**	231,643	30,637,592	90%	3%
Business lending and other	**734,367,289**	-	509,308,519	-	138,646,177	76,412,593	**76,412,593**	**45,648,205**	4,554,809	36,209,579	53%	11%
CIB							**-**				-	-
Corporate	**1,280,377,223**	324,134,931	947,778,733	4,788,375	-	3,675,184	**3,675,184**	**-**	-	3,675,184	100%	0%
Sovereign	**503,289,483**	-	503,289,483	-	-	-	**-**	**-**	-	-	-	-
Bank	**1,106,253,364**	1,106,253,364	-	-	-	-	**-**	**-**	-	-	-	-
Other service							**-**	**-**			-	-
Gross carrying amount	**5,002,898,420**	**1,430,388,295**	**3,095,880,188**	**4,788,375**	**294,687,579**	**177,153,983**	**177,153,983**	**73,888,555**	**5,199,772**	**98,065,656**	**58%**	**4%**
Less: Interest in suspense	(5,199,772)											
Less: Total expected credit losses for loans and advances	(169,503,562)	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount of loans and advances measured at amortised cost	**4,828,195,086**	**1,430,388,295**	**3,095,880,188**	**4,788,375**	**294,687,579**	**177,153,983**	**177,153,983**	**73,888,555**	**5,199,772**	**98,065,656**	**58%**	**4%**
Financial investments at fair value through OCI												
Sovereign	844,345,030	844,345,030	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	**844,345,030**	**844,345,030**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Less total expected credit loss for financial investments	(285,582)	(285,582)	-	-	-	-	-	-	-	-	-	-
Total financial investment at fair value through OCI	**844,059,448**	**844,059,448**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off-balance sheet exposures							-	-	-	-	-	-
Letters of credit and banker's acceptances	223,703,640	182,909,968	39,399,451	1,110,293	70,087	213,841	-	-	-	-	-	-
Guarantees	1,696,232,281	1,452,806,223	240,350,304	46,327	-	3,029,427	-	-	-	-	-	-
Irrevocable unutilised facilities	1,237,793,640	1,190,556,091	46,813,120	-	424,429	-	-	-	-	-	-	-
Total exposure to off-balance sheet credit risk	**3,157,729,561**	**2,826,272,282**	**326,562,875**	**1,156,620**	**494,516**	**3,243,268**	**-**	**-**	**-**	**-**	**-**	**-**
Expected credit losses for off-balance sheet exposures	(4,733,611)	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount of off-balance sheet exposures	**3,152,995,950**	**2,826,272,282**	**326,562,875**	**1,156,620**	**494,516**	**3,243,268**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure to credit risk on financial assets subject to an expected credit loss	**8,825,250,484**	**5,100,720,025**	**3,422,443,063**	**5,944,995**	**295,182,095**	**180,397,251**	**177,153,983**	**73,888,555**	**5,199,772**	**98,065,656**	58%	2%
Add the following other banking activities exposures:												
Cash and balances with the central bank	985,199,682	-	-	-	-	-	-	-	-	-	-	-
Derivative assets	129,164,041	-	-	-	-	-	-	-	-	-	-	-
Trading assets	1,057,416,156	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk	**10,997,030,363**	**5,100,720,025**	**3,422,443,063**	**5,944,995**	**295,182,095**	**180,397,251**	**177,153,983**	**73,888,555**	**5,199,772**	**98,065,656**	**58%**	**2%**

1 The ECL on unutilised facilities is included in the ECL for loans and advances.
2 Balances with the central bank are classified as FVTPL default. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entity's ability to operate as a bank.
3 Due to the short-tern nature of these assets and historical experience, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

		SB1-12		SB13-20		SB21-25	Default						
GROUP 2020	Total Gross Carrying Amounts UShs'000	Stage 1 UShs'000	Stage 2 UShs'000	Stage 1 UShs'000	Stage 1 UShs'000	Stage2 UShs'000	Stage3 UShs'000	Total gross carrying amount of default exposures UShs'000	Securities and expected recoveries on default exposures UShs'000	Interest in suspense on default exposures UShs'000	Balance sheet impairments for non performing specifically impairedloans (Stage 3 and purchased or originated credit impaired) UShs'000	Gross specific impairment coverage %	Non-performing exposures (%)
Loans and advances at amortised cost													
PBB													
Mortgage loans	**282,260,048**	-	248,998,152	-	-	16,920,817	16,341,079	**16,341,079**	**10,257,095**	543,443	5,540,541	37%	6%
Vehicle and asset finance	**173,890,374**	4,390,740	147,650,722	-	-	14,523,158	7,325,754	**7,325,754**	**3,346,080**	-	3,979,674	54%	4%
Card debtors	**3,722,980**	-	929,821	-	-	2,515,869	277,290	**277,290**	**20,594**	-	256,696	93%	7%
Other loans and advances	**1,448,618,387**	**-**	**1,221,722,524**	**-**	**66,499,846**	**67,510,308**	**92,885,709**	**92,885,709**	**36,659,926**	**1,070,481**	**55,155,302**	61%	6%
Personal unsecured lending	**787,552,954**	-	734,606,974	-	3,764,971	30,582,179	18,598,830	**18,598,830**	**3,192,614**	555,201	14,851,015	83%	2%
Business lending and other	**661,065,433**	-	487,115,550	-	62,734,875	36,928,129	74,286,879	**74,286,879**	**33,467,312**	515,280	40,304,287	55%	11%
CIB								**-**				-	-
Corporate	**1,210,239,045**	385,998,266	745,608,323	18,567,241	-	-	60,065,215	**60,065,215**	**10,670,023**	6,042,108	43,353,084	82%	5%
Sovereign	**672,367,601**	-	672,367,601	-	-	-	-	**-**	**-**	-	-	-	-
Bank	**684,044,698**	565,723,770	118,320,928	-	-	-	-	**-**	**-**	-	-	-	-
Other service													
Gross carrying amount	**4,475,143,133**	**956,112,776**	**3,155,598,071**	**18,567,241**	**66,499,846**	**101,470,152**	**176,895,047**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	**66%**	**4%**
Less: Interest in suspense	(7,656,032)		-										
Less:Total expected credit losses for loans and advances	(165,204,291)		-										
Net carrying amount of loans and advances measured atamortised cost	**4,302,282,810**	**956,112,776**	**3,155,598,071**	**18,567,241**	**66,499,846**	**101,470,152**	**176,895,047**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	**66%**	**4%**
Financial investment at fair value through OCI													
Sovereign	721,772,782	721,772,782	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	**721,772,782**	**721,772,782**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Add: Fair value reserve ralating to fair value adjustments (before the ECL balance)	(188,212)	(188,212)	-	-	-	-	-	-	-	-	-	-	-
Total financial investment at fair value through OCI	**721,584,570**	**721,584,570**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off-balance sheet exposures			-			-	-	-	-	-	-	-	-
Letters of credit and banker's acceptances	237,768,709	143,767,049	93,374,832	34,796	-	-	592,032	-	-	-	-	-	-
Guarantees	1,623,737,529	1,404,097,072	198,447,243	18,734,779	240,336	-	2,218,099	-	-	-	-	-	-
Irrevocable unutilised facilities	1,433,445,628	1,433,445,628	-	-	-	-	-	-	-	-	-	-	-
Total exposure to off-balance sheet credit risk	**3,294,951,866**	**2,981,309,749**	**291,822,075**	**18,769,575**	**240,336**	**-**	**2,810,131**	**-**	**-**	**-**	**-**	**-**	**-**
Expected credit losses for off-balance sheet exposures	(4,924,978)	-	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount of off-balance sheet exposures	**3,290,026,888**	**2,981,309,749**	**291,822,075**	**18,769,575**	**240,336**	**-**	**2,810,131**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure to credit risk on financial assets subject to an expected credit loss	**8,313,894,268**	**4,659,007,095**	**3 ,447,420,146**	**37,336,816**	**66,740,182**	**101,470,152**	**179,705,178**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	66%	2%
Add the following other banking activities exposures:													
Cash and balances with Bank of Uganda	1,155,797,738	-	-	-	-	-	-	-	-	-	-	-	-
Derivative assets	160,197,126	-	-	-	-	-	-	-	-	-	-	-	-
Trading assets	1,101,949,038	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk	**10,732,558,170**	**4,659,007,095**	**3 ,447,420,146**	**37,336,816**	**66,740,182**	**101,470,152**	**179,705,178**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	**66%**	**2%**

1 The ECL on unutilised facilities is included in the ECL for loans and advances.
2 Balances with the central bank are classified as FVTPL default. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entity's ability to operate as a bank.
3 Due to the short-tern nature of these assets and historical experience, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

Loans and advances to banks

The total gross amount of stage 3 loans and advances to banks as at 31 December 2021 is Nil (2020: nil). No collateral is held by the Group against loans and advances to banks.

Other financial assets

There are no other financial assets in stage 3 (2020: nil). No collateral is held by the Group against other financial assets.

Concentrations of risk of financial assets with credit risk exposure

Concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, an industry, a product, a geography, maturity, or collateral. The Group's credit risk portfolio is well-diversified. The Group's management approach relies on the reporting of concentration risk along key dimensions, the setting of portfolio limits and stress testing. The group's credit risk portfolio is concentrated within Uganda.

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorized by the industry sectors of our counterparties.

Concentrations of risk of financial assets with credit risk exposure

	Financial institutions	Manufacturing	Agriculture	Transport	Individuals	Others	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
As at 31 December 2021							
Government securities - FVOCI (Note 17)	844,166,562	-	-	-	-	-	844,166,562
Pledged assets (Note 17)	3,840,314	-	-	-	-	-	3,840,314
Loans and advances to banks (Note 18)	1,106,253,364	-	-	-	-	-	1,106,253,364
Loans and advances to customers (Note 19)	514,464,361	434,917,119	467,064,325	83,119,851	945,591,847	1,451,487,553	3,896,645,056
Financial assets designated at fair value through profit or loss:							
Trading assets (Note 17)	1,057,416,156	-	-	-	-	-	1,057,416,156
	3,526,140,757	434,917,119	467,064,325	83,119,851	945,591,847	1,451,487,553	6,908,321,452

	Financial institutions	Manufacturing	Agriculture	Transport	Individuals	Others	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
As at 31 December 2020							
Government securities - FVOCI (Note 17)	721,573,358	-	-	-	-	-	721,573,358
Pledged assets (Note 17)	460,527,242	-	-	-	-	-	460,527,242
Loans and advances to banks (Note 18)	684,044,697	-	-	-	-	-	684,044,697
Loans and advances to customers (Note 19)	158,640,321	344,949,159	528,168,712	70,095,139	723,647,774	1,965,597,330	3,791,098,435
Financial assets designated at fair value through profit or loss:							
Trading assets (Note 17)	1,101,949,038	-	-	-	-	-	1,101,949,038
	3,126,734,656	344,949,159	528,168,712	70,095,139	723,647,774	1,965,597,330	6,759,192,770

3 (d) Market Risk

Definition

Market risk is the risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables. The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market risk measurement techniques:

Trading book market risk

Definition

Trading book market risk is represented by financial instruments, including commodities, held in the trading book, arising out of normal global markets' trading activity.

Approach to managing market risk in the trading book

The Group's policy is that all trading activities are undertaken within the Group's global markets' operations. The market risk functions are independent of the Group's trading operations and are accountable to the relevant legal entity Asset-Liability Committees (ALCOs). ALCOs have a reporting line into Bank ALCO, a subcommittee of Bank Leadership Council. All VaR and SVaR limits require prior approval from the respective entity ALCOs. The market risk functions have the authority to set these limits at a lower level. Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard. Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to bring exposures back in line with approved market risk appetite, with such breaches being reported to management and entity ALCOs.

As part of the management of market risk, the Group's major measurement techniques used to measure and control market risk is Value at Risk and Pv01 (present value at one). The Group applies 'value at risk' methodology (VaR) to its trading and banking portfolio, to estimate the market risk of foreign exchange positions held and the maximum losses expected. Management applies Pv01 methodology to it's trading and non-trading portfolios to estimate the market interest rate risk of positions held and the maximum losses that could arise. The estimates are based upon a number of assumptions for various changes in market conditions.

The assets and liabilities committee (ALCO) sets limits on both the value of risk and Pv01 that may be acceptable for the Group. These are monitored on a daily basis by the Risk Management department. VaR is a statistically based estimate of the potential loss on the cur- rent portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, but only to a certain level of confidence (98%). There is therefore a specified statistical probability (2%) that actual loss could be greater than the VAR estimate. Pv01 is the present value impact of a one basis point move in an interest rate. The use of these approaches does not prevent losses outside of these limits in the event of more significant market movements. As VaR and Pv01 constitute an integral part of the Group's market risk control regime, limits are established by the Board annually for all trading and non-trading portfolios. Actual exposure against limits, together with a consolidated groupwide VaR, is reviewed daily by the Group's Treasury. The quality of the VaR model is continuously monitored by back- testing the VaR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated.

Market risk measurement techniques

GROUP 12 months to 31 December 2021	Average UShs' 000	Maximum UShs' 000	Minimum UShs' 000	31 December 2021 UShs' 000
Interest rate book - Trading	**690,468**	**1,015,586**	**317,252**	**646,751**
Interest rate book - FVOCI	**491,069**	**923,819**	**367,504**	**730,754**
Foreign exchange trading book VAR	**421,141**	**1,503,117**	**93,731**	**224,385**

GROUP 12 months to 31 December 2020	Average UShs' 000	Maximum UShs' 000	Minimum UShs' 000	31 December 2020 UShs' 000
Interest rate book - Trading	459,362	627,595	295,446	531,092
Interest rate book - FVOCI	889,825	1,060,178	563,951	809,882
Foreign exchange trading book VAR	374,539	730,703	55,351	119,617

USD/UShs closed the year at 3558/78 levels, the unit depreciated as the year ended due to an uptick in demand. However, the UShs was stronger for the greater part of December due to an increase in USD inflows that were not matched with both corporate and interbank demand. The FXT book closed the year with a USD 2.75 million long position in 2021.

Average normal Value at Risk Utilisation for the year on IRT desk was UShs 686 million in 2021 (2020: UShs 396 million) this was due to increase in T-bill and Bond investments especially at the long end of the bond curve. On the FXT book, average normal Value at Risk utilisation was UShs 547million in 2021 which was more than UShs 379million registered in 2020 on back of an increase in Client flows during the year.

Foreign exchange risk

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

The Group has the following significant foreign currency exposure positions (all amounts in millions of Uganda Shillings)

As at 31 December 2021	USD UShs'm	Euro UShs'm	Other UShs'm	Total UShs'm
Assets				
Cash and balances with Bank of Uganda	207,346	45,200	13,141	265,687
Loans and advances to banks	885,490	(1,880)	10,707	894,317
Amounts due from group companies	365,446	1	40,685	406,132
Loans and advances to customers	1,007,568	547,623	574	1,555,765
Derivative assets	64,481	-	-	64,481
Other assets	4,524	1,237	39	5,800
Total Assets	2,534,855	592,181	65,146	3,192,182
Liabilities:				
Customer deposits	2,308,374	188,812	20,997	2,518,183
Amounts due to banks	297,535	109,437	922	407,894
Amounts due to group companies	15,056	200,729	34,745	250,530
Derivative liabilities	70,272	-	-	70,272
Subordinated bonds/debt	71,754	-	-	71,754
Other liabilities	364,454	12,045	1,913	378,412
Total Liabilities	3,127,445	511,023	58,577	3,697,045
Net foreign currency exposure	(592,590)	81,158	6,569	(504,863)
Net currency forward contracts	(328,918)	-	-	(328,918)
Options, swaps and other derivatives	(173,835)	-	-	(173,835)
Commitments to extend credit	(630,169)	-	-	(630,169)
Net foreign currency exposure	(1,725,512)	81,158	6,569	(1,637,785)

As at 31 December 2020	USD UShs'm	Euro UShs'm	Other UShs'm	Total UShs'm
Total assets	2,082,874	770,921	48,358	2,902,153
Total liabilities	2,654,800	487,286	45,319	3,187,405
Net statement of financial position	(571,926)	283,635	3,039	(285,252)
Net currency forwards	(169,969)	-	-	(169,969)
Options, swaps and other derivatives	(165,994)	-	-	(165,994)
Commitments to extend credit	(686,332)	-	-	(686,332)
Net foreign currency exposure	(1,594,221)	283,635	3,039	(1,307,547)

Foreign currency risk sensitivity UShs equivalent

		USD 2021	USD 2020	EUR 2021	EUR 2020
Total net long/(short) position	millions	(1,448,891)	(1,428,227)	81,158	283,635
Sensitivity (UGX depreciation)	%	10	10	10	
Impact on profit or loss and equity	millions	8,625	5,675	2.092	1,246

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies. As at 31 December 2021, the company did not hold any foreign denominated assets and liabilities. (31 December 2020: Nil)

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily.

The table that follows summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Group does not bear interest rate risk on items not on the statement of financial position.

	Up to 1 month USh's'm	1 - 6 months UShs'm	6 - 12 months UShs'm	Over 1 year UShs'm	Non-interest bearing UShs'm	Total UShs'm
At 31 December 2021						
Asset:						
Cash and balances with Bank of Uganda	-	-	-	-	984,531	984,531
Financial investments	-	181,093	234,396	428,856	-	844,345
Pledged Assets	-	-	-	3,840	-	3,840
Trading assets	10,953	385,765	122,773	537,925	-	1,057,416
Deposits and balances due from other banks	1,106,123	-	-	-	-	1,106,123
Amounts due from group companies	401,399	-	-	-	-	401,399
Loans and advances to customers	853,250	652,978	429,926	1,785,919	-	3,722,073
Derivative assets	-	-	-	-	129,164	129,164
Other assets	-	-	-	-	471,205	471,205
Total assets	**2,371,725**	**1,219,836**	**787,095**	**2,756,540**	**1,584,900**	**8,720,096**
Liabilities and shareholders' funds:						
Customer deposits	5,577,931	121,090	28,898	13,124	-	5,741,043
Deposits due to other banks	155,075	-	-	-	-	155,075
Borrowed funds	7,456	30,008	100,331	27,401	-	165,196
Amounts due to group companies	260,393	-	-	-	-	260,393
Derivative liabilities		-	-	-	205,062	205,062
Other liabilities	-	-	-	-	584,453	584,453
Current tax liabilities	-	-	-	-	3,817	3,817
Subordinated bonds/debts	-	-	-	71,754	-	71,754
Total liabilities	**6,000,855**	**151,098**	**129,229**	**112,279**	**793,332**	**7,186,793**
Shareholders' equity					**1,533,303**	**1,533,303**
Total interest repricing gap	**(3,629,130)**	**1,068,738**	**657,866**	**2,644,261**	**(741,735)**	**-**
At 31 December 2020						
Total assets	2,083,758	982,911	691,927	3,182,852	1,637,515	8,578,898
Total liabilities and shareholder's equity	6,373,731	217,991	42,229	112,982	588,526	7,335,459
Shareholders' equity					1,243,439	1,243,439
Total Interest repricing	(4,290,038)	764,920	649,698	3,069,870	(194,450)	-

ALCO monitors the sensitivity of net interest income to changes in interest rates. Limits are set and monitored monthly.

The sensititvity of net interest income to changes in interest rates for LCY (UShs) is as follows;

	31st December 2021		31st December 2020	
	Change in net interest income UShs'000	% of net interest income	Change in net interest income UShs'000	% of net interest income
100 bps Increase in interest rates	21,442,170	4.8%	11,868,492	2.9%
100 bps decrease in interest rates	(21,405,070)	-4.8%	(11,429,302)	-2.8%

NII sensititvity in for FCY(USD) is as follows;

	31st December 2021		31st December 2020	
	Change in net interest Income UShs'000	% of net interest income	Change in net interest Income UShs'000	% of net interest income
100bps Increase in interest rates	6,828,270	35.5%	5,191,830	2 0.1%
100bps decrease in interes trates	(315,807)	-1.6%	(3,006,533)	-11.6%

The Company does not have interest bearing financial assets and liabilities as at 31 December 2021 (31 December 2020: Nil)

3(e) Liquidity risk

Definations

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are overdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Approach to managing liquidity risk

The Group is exposed to daily call on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Group 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.

The Asset and Liability Committee 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 Group's liquidity management process, as carried out within the Group and monitored by the Treasury and Capital Management (TCM) team includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cashflow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and managing the concentration and profile of debt maturities.
- Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

TCM also monitors unmatched medium-term assets, the level and type of un- drawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

GROUP	2021 UShs' 000	2020 UShs' 000
Liquid assets to deposit ratio		
Total deposits	**5,741,043,166**	5,493,479,534
Total liquid assets held	**3,369,790,111**	3,293,765,863
Liquidity ratio	**58.7%**	60.0%
Regulatory requirement	**20.0%**	20.0%

The table that follows presents the undiscounted cash flows payable by the Group under financial liabilities by remaining contractual maturities at the balance sheet date and from financial assets by expected maturity dates. All figures are in millions of Uganda Shillings.

At 31 December 2021	Carrying Amount Ushs' m	Gross norminal In/ out flow Ushs' m	Up to 1 month Ushs' m	2-6 Months Ushs' m	7-12 Months Ushs' m	1-5 Years Ushs' m	Over 5 Years Ushs' m
Liabilities							
Deposits from customers	(5,741,043)	(5,743,634)	(5,588,492)	(125,648)	(29,219)	(275)	-
Deposits from other banks	(155,075)	(155,075)	(155,075)	-	-	-	-
Amounts due to group companies	(260,393)	(278,835)	(59,665)	-	-	-	(219,170)
Derivative liabilities	(205,062)	(205,062)	(171)	(3,768)	(7,935)	(123,249)	(69,939)
Borrowed funds	(165,196)	(167,841)	(7,457)	(30,008)	(101,726)	(28,650)	-
Subordinated debt	(71,754)	(103,887)	-	(1,737)	(1,737)	(13,892)	(86,521)
Other liabilities	(588,270)	(588,732)	(556,961)	(309)	(1,673)	(29,774)	(15)
Total financial liabilities (contractual maturity dates)	(7,186,793)	(7,243,066)	(6,367,821)	(161,470)	(142,290)	(195,840)	(375,645)
Assets							
Cash and bank balances with Bank of Uganda	984,531	984,531	984,531	-	-	-	-
Financial investments	844,345	985,794	-	194,887	252,339	501,455	37,113
Pledged assets	3,840	3,936	-	3,936	-	-	-
Trading assets	1,057,416	1,155,095	10,970	396,435	130,837	587,722	29,131
Loans and advances to banks	1,106,122	1,106,122	1,106,122	-	-	-	-
Amounts due from group companies	401,399	402,149	71,869	330,280	-	-	-
Loans and advances to customers	3,722,073	5,721,204	631,003	816,727	263,745	2,137,851	1,871,878
Derivative assets	129,164	129,164	2,092	155	26,649	30,329	69,939
Other assets	241,570	241,570	241,570	-	-	-	-
Total financial assets (expected maturity dates)	8,490,460	10,729,565	3,048,157	1,742,420	673,570	3,257,357	2,008,061
Liquidity gap	1,303,667	3,486499	(3,394,317)	1,580,950	531,280	3,061,517	1,632,416
Cumulative Liquidity Gap	1,303,667	3,486499	(3,319,664)	(1,738,714)	(1,207,433)	1,854,084	3,486,499
Off-Balance Sheet							
Guarantees	(1,696,232)	1,696,232	113,340	520,031	446,556	616,305	-
LCs	(223,704)	223,704	78,672	109,200	32,710	3,122	-
Commitments to extend credit	(1,237,794)	1,237,794	1,237,794	-	-	-	-
Total Off-Balance Sheet	(3,157,730)	3,157,730	1,429,806	629,231	479,266	619,427	-
Liquidity gap	(1,854,063)	6,644,229	(1,889,858)	2,210,181	1,010,546	3,680,944	1,632,416
Cumulative Liquidity Gap	-	6,644,229	(1,889,858)	320,323	1,330,870	5,011,814	6,644,229
At 31 December 2020							
Total financial liabilities (contractual maturity dates)	(7,335,459)	(7,400,564)	(6,750,847)	(206,283)	(55,408)	(179,066)	(208,960)
Total financial assets (expected maturity dates)	8,335,202	8,874,908	2,333,552	822,582	439,654	2,871,277	2,407,843
Liquidity gap	999,743	1,474,344	(4,417,295)	616,299	384,246	2,692,211	2,198,883
Cumulative liquidity gap	999,743	1,474,344	(4,417,295)	(3,800,996)	(3,416,750)	(724,539)	1,474,344
Total off balance sheet	(3,294,953)	3,294,953	1,760,384	618,681	268,441	647,447	-
Net Liquidity gap	(2,295,210)	4,769,297	(2,656,911)	1,234,980	652,687	3,339,658	2,198,883
Net cumulative liquidity gap	-	4,769,297	(2,656,911)	(1,421,931)	(769,244)	2,570,414	4,769,297

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, Central Bank balances, items in the course of collection; loans and advances to banks; and loans and advances to customers. In addition, debt securities and treasury and other bills have been pledged to secure liabilities.The Group would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

The table below analyses the Company's non-derivative financial assets and liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Company	Carrying Amount	Gross norminal In/ out flow	Up to 1 month
	Ushs' m	Ushs' m	Ushs' m
At 31 December 2021			
Liabilities			
Amounts due to group companies	**(562)**	**(562)**	**(562)**
Other liabilities	**(19,629)**	**(19,629)**	**(19,629)**
Total financial liabilities (contractual maturity dates)	**(20,191)**	**(20,191)**	**(20,191)**
Assets			
Amounts due from group companies	**35,758**	**35,758**	**35,758**
Other Assets	**15,825**	**15,825**	**15,825**
Total financial assets (expected maturity dates)	**51,583**	**51,583**	**51,583**
Liquidity gap	**31,392**	**31,392**	**31,392**
Cumulative Liquidity Gap	**31,392**	**31,392**	**31,392**

Company	Carrying Amount	Gross norminal In/ out flow	Up to 1 month
	Ushs' m	Ushs' m	Ushs' m
At 31 December 2020			
Liabilities			
Amounts due to group companies	(88,296)	(88,296)	(88,296)
Other liabilities	(37,377)	(37,377)	(37,377)
Total financial liabilities (contractual maturity dates)	(125,673)	(125,673)	(125,673)
Assets			
Amounts due from group companies	154,995	154,995	154,995
Other Assets	12,799	12,799	12,799
Total financial assets (expected maturity dates)	167,794	167,794	167,794
Liquidity gap	42,121	42,121	42,121
Cumulative Liquidity Gap	42,121	42,121	42,121

3 (f) Off balance sheet

(i) Loan commitments

The dates of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 34), are summarised in the table below.

(ii) Other financial facilities

Other financial facilities (Note 34) are also included below based on the earliest contractual maturity date.

GROUP	Not later than 1 year UShs'000	1 to 5 years UShs'000	Above 5 years UShs'000	Total UShs'000
As at 31 December 2021				
Letters of credit	**220,582,107**	**3,121,533**	**-**	**223,703,640**
Guarantees	**1,079,927,385**	**616,304,896**	**-**	**1,696,232,281**
Commitments to extend credit	**1,237,793,640**	**-**	**-**	**1,237,793,640**
	2,538,303,132	**619,426,429**	**-**	**3,157,729,561**

GROUP	Not later than 1 year UShs'000	1 to 5 years UShs'000	Above 5 years UShs'000	Total UShs'000
As at 31 December 2020				
Letters of credit	236,856,084	912,625	-	237,768,709
Guarantees	977,203,827	646,533,702	-	1,623,737,529
Commitments to extend credit	1,433,445,628	-	-	1,433,445,628
	2,647,505,539	647,446,327	-	3,294,951,866

3 (g) Fair value of financial assets and liabilities

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value.

	Carrying Value		Fair Value	
	2021	2020	2021	2020
GROUP	UShs'000	UShs'000	UShs'000	UShs'000
Financial assets				
Cash and balances with Bank of Uganda	**984,530,697**	1,155,333,607	**984,530,697**	1,155,333,607
Loans and advances to banks	**1,106,122,016**	683,929,488	**1,106,122,016**	683,929,488
Amounts due from group companies	**401,399,239**	354,851,856	**401,399,239**	354,851,856
Loans and advances to customers	**3,722,073,070**	3,618,353,321	**3,722,073,070**	3,618,353,321
Other assets	**2,778,671**	8,881,791	**2,778,671**	8,881,791
Financial liabilities				
Customer deposits	**5,741,043,166**	5,493,479,534	**5,741,043,166**	5,493,479,534
Amounts due to other banks	**155,075,114**	785,477,443	**155,075,114**	785,477,443
Borrowed funds	**165,196,485**	43,346,567	**165,196,485**	43,346,567
Amounts due to group companies	**260,392,702**	351,607,479	**260,392,702**	351,607,479
Subordinated debt	**71,753,914**	73,022,525	**71,753,914**	73,022,525
Other liabilities	**240,005,964**	219,750,597	**240,005,964**	219,750,597

Prices quoted in an active market:

The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the Group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the Group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Unobservable inputs are subject to management judgement and although the Group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values would affect the reported fair values of these financial instruments.

Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters corroborated by reference to independent market data, where possible, or alternative sources, such as, third party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated model- ling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments:

Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to: credit spreads on illiquid issuers, implied volatilities on thinly traded stocks, correlation be- tween risk factors, prepayment rates, and other illiquid risk drivers. In making appropriate valuation adjustments, the Group and company apply methodologies that consider factors such as bid offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- Using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver;
- Raising day one profit provisions in accordance with IFRS;
- Quantifying and reporting the sensitivity to each risk driver; and
- Limiting exposure to such risk drivers and analysing this exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the Group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models as well as those developed internally by the Group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the Group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the Group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis by the market risk and asset and liability committees.

Portfolio exception: The Group, on meeting certain qualifying criteria, elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis.

3 (h) Fair value hierarchy

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e, derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. The information below shows the classification of financial instruments held at fair value into the valuation hierachy as at 31 December 2021 and 2020.

31 December 2021 GROUP	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Coin and bank notes	432,277,745	-	-	432,277,745
Bank of Uganda cash reserving requirement	517,340,000	-	-	517,340,000
Derivative assets	-	129,164,041	-	129,164,041
Trading assets	-	1,057,416,156	-	1,057,416,156
Pledged assets	-	3,840,314	-	3,840,314
Financial investments	-	844,166,562	-	844,166,562
Other financial investments	-	-	178,468	178,468
Total assets	949,617,745	2,034,587,073	178,468	2,984,383,286
Financial liabilities				
Derivative liabilities	-	205,061,504	-	205,061,504
Total liabilities	-	205,061,504	-	205,061,504

31 December 2020 GROUP	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Coin and bank notes	442,626,522	-	-	442,626,522
Bank of Uganda cash reserving requirement	456,990,000	-	-	456,990,000
Derivative assets	-	160,917,126	-	160,917,126
Trading assets	-	1,101,949,038	-	1,101,949,038
Pledged Assets	-	460,527,242	-	460,527,242
Financial investments	-	721,573,358	-	721,573,358
Amounts due from group companies	-	-	199,424	199,424
Total assets	899,616,522	2,444,966,764	199,424	3,344,782,710
Financial liabilities				
Derivative liabilities	-	229,733,411	-	229,733,411
Total liabilities	-	229,733,411	-	229,733,411

The balances with the central bank excluding cash reserving requirement was in terms of IFRS 9 classified as amortised cost. Coins and bank notes have been classified at fair value through profit or loss - default as the contractual terms do not give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding as per IFRS9.

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments.

Fair value instruments in level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2021 and 31 December 2020.

Other investment fair valued through profit or loss

GROUP	Other Investment Fair valued through profit or loss	
	2021	2020
	Shs'000	Shs'000
Opening balance	199,424	182,654
Gains and (losses) recognised in profit or loss	(20,956)	16,770
Closing balance	178,468	199,424
Total gains or losses for the period included in profit or loss under other gains/(losses)	(20,956)	16,770

The table below shows items not measured at fair value for which fair value is disclosed

31 December 2021 GROUP	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Balances with Bank of Uganda	34,912,953	-	-	34,912,953
Loans and advances to banks	-	-	1,106,122,016	1,106,122,016
Amounts due from group companies	-	-	401,399,239	401,399,239
Loans and advances to customers	-	-	3,722,073,070	3,722,073,070
Other financial assets and related party receivables	-	-	2,778,671	2,778,671
Total assets	34,912,953	-	5,232,372,996	5,267,285,949
Financial liabilities				
Customer deposits	-	-	5,741,043,166	5,741,043,166
Amounts due to other banks	-	-	155,075,114	155,075,114
Borrowed funds	-	-	165,196,485	165,196,485
Subordinated debt	-	-	71,753,914	71,753,914
Amounts due to group companies	-	-	260,392,702	260,392,702
Other Financial liabilities	-	-	240,005,964	240,005,964
Total liabilities	-	-	6,633,467,345	6,633,467,345

31 December 2020 GROUP	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Balances with Bank of Uganda	255,717,085	-	-	255,717,085
Loans and advances to banks	-	-	683,929,488	683,929,488
Amounts due from group companies	-	-	354,851,856	354,851,856
Loans and advances to customers	-	-	3,618,353,321	3,618,353,321
Other financial assets and related party receivables	-	-	8,881,791	8,881,791
Total assets	255,717,085	-	4,666,016,456	4,921,733,541
Financial liabilities				
Customer deposits	-	-	5,493,479,534	5,493,479,534
Amounts due to other banks	-	-	785,477,443	785,477,443
Borrowed funds	-	-	43,346,567	43,346,567
Subordinated debt	-	-	73,022,525	73,022,525
Amounts due to group companies	-	-	351,607,479	351,607,479
Other financial liabilities	-	-	219,750,597	219,750,597
Total liabilities	-	-	6,966,684,145	6,966,684,145

3 (i) Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The table below sets out the Groups classification of financial assets and liabilities, and their fair values

	FVTPL		FVOCI		Amortised cost	Other assets/ liabilities	Total carrying amount
	Held-for-trading	Default	Debt instruments	Equity instruments			
2021	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**
Assets							
Cash and balances with central banks	-	949,618	-	-	34,913	-	**984,531**
Derivative assets	129,164	-	-	-	-	-	**129,164**
Financial investments	-	-	844,167	178	-	-	**844,345**
Trading assets	1,057,416	-	-	-	-	-	**1,057,416**
Pledged assets	-	-	3,840	-	-	-	**3,840**
Loans and advances to banks	-	-	-	-	1,106,122	-	**1,106,122**
Loans and advances to customers	-	-	-	-	3,722,073	-	**3,722,073**
Amounts due from group companies	-	-	-	-	401,399	-	**401,399**
Other financial assets	-	-	-	-	2,779	-	**2,779**
Other non-financial assets	-	-	-	-	-	468,427	**468,427**
	1,186,580	**949,618**	**848,007**	**178**	**5,267,286**	**468,427**	**8,720,096**
Liabilities							
Derivative liabilities	205,062	-	-	-	-	-	**205,062**
Deposits from banks	-	-	-	-	155,075	-	**155,075**
Deposits from customers	-	-	-	-	5,741,043	-	**5,741,043**
Subordinated debt	-	-	-	-	71,754	-	**71,754**
Amounts due to group companies	-	-	-	-	260,393	-	**260,393**
Borrowed funds	-	-	-	-	165,196	-	**165,196**
Other financial liabilities	-	-	-	-	240,006	-	**240,006**
Other non financial liabilities	-	-	-	-	-	348,264	**348,264**
	205,062	**-**	**-**	**-**	**6,633,467**	**348,264**	**7,186,793**

	FVTPL		FVOCI		Amortised cost	Other assets/ liabilities	Total carrying amount
	Held-for-trading	Default	Debt instruments	Equity instruments			
2020	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**
Assets							
Cash and balances with central banks	-	899,617	-	-	255,717	-	**1,155,334**
Derivative assets	160,917	-	-	-	-	-	**160,917**
Financial investments	-	-	721,574	199	-	-	**721,773**
Trading assets	1,101,949	-	-	-	-	-	**1,101,949**
Pledged assets	352,575	-	107,952	-	-	-	**460,527**
Loans and advances to banks	-	-	-	-	683,929	-	**683,929**
Loans and advances to customers	-	-	-	-	3,618,353	-	**3,618,353**
Amounts due from group companies	-	-	-	-	354,852	-	**354,852**
Other financial assets	-	-	-	-	8,882	-	**8,882**
Other non-financial assets	-	-	-	-	-	312,382	**312,382**
	1,615,441	**899,617**	**829,526**	**199**	**4,921,733**	**312,382**	**8,578,898**
Liabilities							
Derivative liabilities	229,733	-	-	-	-	-	**229,733**
Deposits from banks	-	-	-	-	785,477	-	**785,477**
Deposits from customers	-	-	-	-	5,493,480	-	**5,493,480**
Subordinated debt	-	-	-	-	73,023	-	**73,023**
Amounts due to group companies	-	-	-	-	351,607	-	**351,607**
Borrowed funds	-	-	-	-	43,347	-	**43,347**
Other financial liabilities	-	-	-	-	219,751	-	**219,751**
Other non financial liabilities	-	-	-	-	-	139,041	**139,041**
	229,733	**-**	**-**	**-**	**6,966,685**	**139,041**	**7,335,459**

The table below sets out the Company's classification of financial assets and liabilities, and their fair values:

COMPANY	2021	2020
	UShs' 000	UShs' 000
Financial assets at amortised cost		
Amounts due from group companies	**35,757,732**	154,995,286
Other assets	**506,189**	227,504
Total assets	**36,263,921**	155,222,790
Financial liabilities at amortised cost		
Amounts due to group companies	**562,112**	88,295,740
Other liabilities	**19,628,784**	37,377,010
Total liabilities	**20,190,896**	125,672,750

4. Segment information

The principal business units in the Group are as follows:

Client segment

We have shifted the business to be future-ready and client centric. Our reporting has changed to align to this principle. The client segments will be responsible for designing and executing the client value proposition strategy. Client segments will own the client relationship and create multi-product customer experiences to address life events distributed through our client engagement platforms

Consumer and High Net Worth clients

The consumer and high net worth (CHNW) client segment is responsible for the end-to-end lifecycle of clients. CHNW services individual clients. We enable our clients' daily lives by providing relevant solutions throughout their life journeys

Business and Commercial clients

The Business and Commercial client (BCC) segment provides broad based client solutions for a wide spectrum of small- and medium-sized businesses as well as large commercial enterprises. Our client coverage support extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enable their growth.

Corporate and Investment Banking CIB

The CIB client segment serves large companies (multinational, regional and domestic), governments, parastatals and institutional clients across Africa and internationally. Our clients leverage our in-depth sector and regional expertise, our specialist capabilities and our access to global capital markets for advisory, transactional, trading and funding support.

Where reporting responsibility for individual cost centres and divisions within segments change, the segmental analyses' comparative figures are reclassified accordingly.

GROUP	Business Consumer Clients	Consumer and High Net Worth	Corporate and Investment Banking	Treasury and Capital management	Other Subsidiaries	Total
Income statement	**UShs' 000**	**UShs' 000**	**UShs' 000**	**Shs' 000**	**Shs' 000**	**UShs' 000**
Year ended 31 December 2021						
Net Interest income	**155,104,993**	**167,169,621**	**208,181,797**	**6,763,292**	**38,291**	**537,257,994**
Fee and commission income	**52,048,521**	**69,607,708**	**36,771,623**	**964,308**	**339,155**	**159,731,315**
Net trading income	**36,878,863**	**12,358,949**	**145,231,993**	**-**	**-**	**194,469,805**
Other income	**563,388**	**6,874,961**	**6,197**	**105,183**	**2,497,908**	**10,047,637**
Total operating income	**244,595,765**	**256,011,239**	**390,191,610**	**7,832,783**	**2,875,354**	**901,506,751**
Impairment losses	**(43,846,428)**	**(22,585,550)**	**(3,319,110)**	**(656,578)**	**-**	**(70,407,666)**
Other operating expenses	**(171,878,105)**	**(139,742,443)**	**(161,688,148)**	**4,726,603**	**(11,306,833)**	**(479,888,926)**
Profit before tax	**28,871,232**	**93,683,246**	**225,184,352**	**11,902,808**	**(8,431,479)**	**351,210,159**
Income tax expense	**(900,351)**	**(20,581,018)**	**(59,917,725)**	**(2,804,382)**	**2,305,409**	**(81,898,067)**
Profit after tax	**27,970,881**	**73,102,228**	**165,266,627**	**9,098,426**	**(6,126,070)**	**269,312,092**
Year ended 31 December 2020						
Net Interest income	156,727,918	156,397,619	195,718,620	3,406,917	294,481	512,545,555
Fee and commission income	47,334,391	59,837,675	44,929,470	418	-	152,101,954
Net trading income	30,991,004	10,381,021	114,218,845	-	-	155,590,870
Other income	313,787	9,005,195	237,933	(153,029)	229,783	9,633,669
Total operating income	235,367,100	235,621,510	355,104,868	3,254,306	524,264	829,872,048
Impairment losses	(49,589,137)	(14,611,468)	(27,496,077)	(37,423)	-	(91,734,105)
Other operating expenses	(162,187,530)	(126,445,146)	(138,258,739)	9,931,965	(2,565,704)	(419,525,154)
Profit before tax	23,590,433	94,564,896	189,350,052	13,148,848	(2,041,440)	318,612,789
Income tax expense	(6,025,210)	(22,552,782)	(45,754,086)	(3,201,568)	607,182	(76,926,464)
Profit after tax	17,565,223	72,012,114	143,595,966	9,947,280	(1,434,258)	241,686,325

The segmental information in the table above includes transactions made between different segments within the Group that give rise to a cost in one segment and income to another segment. These transactions have no net impact to the Group as a whole. In 2021 these transactions had a net interest income of UShs 39.2billion (2020: UShs 21.8billion) and net trading cost of UShs 39.2billion (2020: UShs 21.8billion).

The change in operating segments from 1 January 2021 has resulted in a change in presentation in the form of renaming certain line items throughout these financial statements to align with the new client solutions terminology. This change in presentation was applied retrospectively and the segmental analyses' comparative figures were reclassified accordingly. This change had no impact on the comparative figures within the primary statements or notes thereto.

GROUP Statement of financial position	Business Consumer Clients UShs' 000	Consumer and High Net Worth UShs' 000	Corporate and Investment Banking UShs' 000	Treasury and Capital management Shs' 000	Other Subsidiaries Shs' 000	Total UShs' 000
As at 31 December 2021						
Total assets	**1,164,664,634**	**1,263,555,840**	**5,770,637,332**	**514,794,720**	**6,443,275**	**8,720,095,801**
Total liabilities	**952,689,768**	**1,076,950,163**	**5,082,421,771**	**118,254,638**	**(43,523,776)**	**7,186,792,564**
Equity	**169,579,893**	**149,284,542**	**550,572,449**	**613,899,302**	**49,967,052**	**1,533,303,238**
Other segment items included in the income statement						
Depreciation	**(577,843)**	**(18,286,405)**	**(1,067,375)**	**(13,877,167)**	**791,149**	**(33,017,641)**
Amortisation of intangible assets	**-**	**(2,295,674)**	**-**	**(12,745,730)**	**-**	**(15,041,404)**
As at 31 December 2020						
Total assets	1,114,658,509	1,196,935,723	5,810,182,131	450,414,122	6,707,641	8,578,898,126
Total liabilities	919,345,431	1,024,394,204	5,144,895,267	296,209,316	(49,385,480)	7,335,458,738
Equity	146,363,715	134,781,075	545,368,380	360,833,097	56,093,121	1,243,439,388
Other segment items included in the income statement						
Depreciation	(686,653)	(19,610,675)	(936,102)	(13,898,038)	1,409,726	(33,721,742)
Amortisation of intangible assets	-	(3,378,838)	-	(11,323,809)	-	(14,702,647)

5 Interest income

GROUP	2021 UShs' 000	2020 UShs' 000
Financial investments at FVOCI	**97,144,757**	112,041,710
Loans and advances to customers at amortised cost	**438,422,213**	417,479,352
Loans and advances to banks at amortised cost	**3,514,019**	1,994,501
Placements with group companies at amortised cost	**310,924**	723,221
Interest income on credit impaired financial assets	**4,602,713**	3,994,802
	543,994,626	536,233,586

All the amounts reported above comprise interest income calculated using the effective interest method.

6 Interest expense

	GROUP		COMPANY	
	2021 UShs' 000	2020 UShs' 000	2021 UShs' 000	2020 UShs' 000
Current accounts	**20,467,557**	19,246,878	-	-
Savings and deposit accounts	**13,688,550**	11,129,706	-	-
Subordinated debt: - group entity	**3,807,113**	5,202,256	-	-
Deposits and borrowings from banks	**248,626**	243,807	-	-
Amounts due to group companies	**3,598,404**	2,957,554	-	-
Interest paid on other money market borrowings	**1,838,972**	4,002,349	-	-
Interest expense on lease liabilities	**2,319,326**	2,658,887	75,253	37,816
	45,968,548	45,441,437	75,253	37,816

All interest expense relates to financial liabilities at amortised cost except for interest expense on lease liabilities.

7 Net fee and commission income

a) Disaggregation of fees and commission income in the following table, fee and commission income from contracts with customers is disaggregated by major type of services.

	GROUP	
	2021 UShs' 000	2020 UShs' 000
Fee and commission income		
Transactional fees and commission income	**151,430,190**	119,700,314
Trade fees and commission income	**5,944,685**	21,308,551
Credit related fees	**16,242,173**	24,722,295
	173,617,048	165,731,160
Fee and commission expense		
Transactional fees and commission expenses	**(8,857,656)**	(8,449,791)
Net fee and commission income	**164,759,392**	157,281,369

Net fee and commission income above exclude amounts included in determining the effective interest rate on financial assets measured at amortised cost of UShs 6,070 million (2020: UShs 5,305 million). All net fee and commission income relate to financial assets or liabilities at amortised cost.

8 Net trading income

	GROUP	
	2021	2020
	UShs' 000	UShs' 000
Foreign exchange trading loss - realized	**(9,176,401)**	(3,829,695)
Foreign exchange trading gains - unrealized gains	**10,285,907**	27,942,768
Trading gains on financial instruments	**234,583,509**	149,836,365
Unrealized losses/gain on financial instruments	**(1,253,337)**	4,131,189
Trading loss - other	**(737,957)**	(736,349)
	233,701,721	177,344,278

Debt securities include the effect of buying and selling and changes in the fair value of government securities. Included in foreign exchange are realised and unrealised gains and losses from spot and forward contracts and other currency derivatives

9 Other gains and losses on financial instruments

	GROUP	
	2021	2020
	UShs' 000	UShs' 000
Derecognition losses	**(3,295)**	-
Realised fair value (losses)/gains on debt instruments at fair value through other comprehensive incomes	**-**	(132,234)
	(3,295)	(132,234)

10 Other operating income:

10a. Dividend income

	COMPANY	
	2021	2020
	UShs' 000	UShs' 000
Dividends income	-	129,000,000
	-	129,000,000

10b. Other Operating income

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	UShs' 000	UShs' 000	**UShs' 000**	UShs' 000
Gain on disposal of property and equipment	**(43,280)**	204,640	-	-
Rental income	**-**	-	-	583,471
Other income	**7,041,832**	5,899,954	-	-
	6,998,552	6,104,594	-	583,471

Other income includes profit share in relation to bancassurance fees of UShs 3.8billion (2020:Ushs 4.1billion).

11 Impairment charge for credit losses

	GROUP	
	2021	2020
	UShs' 000	UShs' 000
Net expected credit losses raised and released		
Loans and advances to customers (Note 19)	**(74,958,072)**	(100,432,597)
Loans and advances to banks (Note 18)	**21,088**	124,823
Financial Investments (Note 17)	**(97,370)**	(78,193)
Off balance sheet (Note 31)	**125,482**	(2,561,564)
Recoveries on loans and advances previously written off	**8,209,129**	9,237,596
Interest in suspense released on cured loans and advances	**3,154,415**	1,975,830
Modification losses	**(6,862,338)**	-
	(70,407,666)	(91,734,105)

12 Employee benefits expense

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	UShs' 000	UShs' 000	**UShs' 000**	UShs' 000
Salaries and wages	**132,857,550**	123,813,775	4,874,325	1,516,260
Contributions to statutory and other defined benefit plans	**28,650,130**	30,536,870	2,101,464	495,871
Other employee benefits	**17,040,158**	15,161,489	439,416	185,407
	178,547,838	169,512,134	7,415,205	2,197,538

13 Other operating expenses

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	UShs' 000	UShs' 000	**UShs' 000**	UShs' 000
Premises	**10,897,901**	10,327,380	237,486	75,409
Office expenses	**3,731,156**	3,888,875	-	-
Auditors remuneration	**997,093**	1,585,840	35,433	46,456
Professional fees	**5,954,173**	8,437,897	486,442	356,019
IT expenses	**65,846,790**	58,491,809	41,550	-
Travel and entertainment	**4,136,586**	4,754,327	290,525	69,103
Marketing and advertising	**11,047,761**	7,709,026	43,560	13,600
Insurance	**3,850,497**	4,312,035	-	-
Deposit Protection Scheme Contribution	**10,453,179**	8,434,209	-	-
Security expenses	**9,180,618**	10,753,979	16,903	300
Franchise fees	**26,958,959**	24,874,501	-	-
Directors fees and expenses	**858,164**	692,098	308,070	95,095
Training costs	**1,702,569**	1,774,960	167,454	18,890
Operational losses	**24,040,999**	2,977,290	-	734
Indirect taxes (VAT)	**18,297,625**	19,301,130	-	(22,180)
Bank charges	**1,566,545**	1,117,416	75,801	29,057
Credit Bureau expenses	**1,915,650**	1,313,465	-	-
Other operating expenses	**53,821,475**	32,360,502	(22,234)	296,409
	255,257,740	203,106,739	1,680,990	978,892

Other operating expenses (note 13 above) is comprised of the following items;

	GROUP	
	2021	2020
	UShs' 000	UShs' 000
Communication expenses	**9,811,661**	9,423,392
Commissions paid	**24,648,544**	8,188,615
Administration and membership fees	**1,402,849**	1,111,335
Donations: non-tax allowable	**1,287,719**	3,385,777
Conference expenses (non-training)	**650,258**	321,162
Refreshments	**1,066,354**	1,022,215
Other operating costs	**14,954,090**	8,908,006
	53,821,475	32,360,502

Included in the IT costs are additional costs relating to the investment in the Group's systems specifically the upgrade of the Groups core banking system (training costs, support costs and annual license) and other peripheral system that support in the day-to-day operations of the Group. In addition, the Group incurred extra IT costs to enable its staff work remotely following disruption by the pandemic. The other operating costs include the digital financial inclusion contribution costs of Ushs 7.6 billion (2020: Ushs 10.8 billion) and provisions for unspecified expected losses of UShs 6.9 billion netted off by releases during the year (2020: UShs 6.5 billion).

14 Income tax expense

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	UShs' 000	UShs' 000	**UShs' 000**	UShs' 000
Current income tax	**92,477,319**	88,366,848	175,042	(8,548)
Deferred income tax (see note 20)	**(10,579,252)**	(11,440,384)	(2,923,169)	(855,482)
	81,898,067	76,926,464	(2,748,127)	(864,030)

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

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	UShs' 000	UShs' 000	**UShs' 000**	UShs' 000
Profit before income tax	**351,210,159**	318,612,789	(9,740,107)	126,102,401
Tax calculated at statutory tax rate of 30% (2020: 30%)	**105,363,048**	95,583,837	(2,922,032)	37,830,720
Income not subject to tax	**-**	-	-	(38,700,000)
Income subject to tax at 20%	**(22,202,705)**	(21,351,119)	-	-
Income subject to tax at 10%	**(3,398,617)**	(223,995)	-	-
Expenses not deductible for tax purposes	**2,715,846**	2,639,988	173,905	5,250
Prior year current income tax (over)/under provision	**(579,505)**	277,753	-	-
	81,898,067	76,926,464	(2,748,127)	(864,030)

Current income tax liability/(recoverable)

The movement in the current income tax liability/ (recoverable) was as follows:

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	UShs' 000	UShs' 000	**UShs' 000**	UShs' 000
At start of year	**(5,066,711)**	(2,038,942)	(11,720,417)	(15,883,532)
Prior year under provisions	**-**	277,753	-	-
Charge for the year	**92,477,319**	88,089,095	175,042	(8,548)
Income tax paid	**(83,593,142)**	(91,394,617)	-	4,171,663
At end of year	**3,817,466**	(5,066,711)	(11,545,375)	(11,720,417)

15 Earnings per share

	GROUP		COMPANY	
	2021	2020	**2021**	2020
Profit attributable to ordinary shareholders (UShs'000)	**269,312,092**	241,686,325	(6,991,980)	126,966,431
Weighted average number of ordinary shares in issue (thousands)	**51,188,670**	51,188,670	51,188,670	51,188,670
Basic and diluted earnings per share (expressed in Shs per share)	**5.26**	4.72	(0.14)	2.48
Basic				
Dividends proposed	**50,000,000**	95,000,000	50,000,000	95,000,000
Weighted average number of ordinary shares in issue (thousands)	**51,188,670**	51,188,670	51,188,670	51,188,670
Dividends per share	**0.98**	1.86	0.98	1.86

There were no potentially dilutive shares as at 31 December 2021 or on 31 December 2020. Therefore, diluted earnings per share are the same as basic earnings per share.

16 Cash and balances with Bank of Uganda

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	UShs' 000	UShs' 000	**UShs' 000**	UShs' 000
Coins and bank notes	**432,277,744**	442,626,522	-	1,000
Balances with Bank of Uganda	**552,252,953**	712,707,085	-	-
	984,530,697	1,155,333,607	-	1,000

Banks are required to maintain a prescribed minimum cash balance with Bank of Uganda. The amount is determined by Bank of Uganda on a preset formula on a rolling fortnightly basis. The reserve as at 31 December, 2021 was UShs 517,340 million (2020: UShs 456,990 million). The cash reserves available for use in the Group's day to day activities and may fall by upto 50% on a given day. However, there are sanctions for non-compliance.

17 Other financial investments

	GROUP 2021 USHs' 000	2020 USHs' 000
17.1) Financial investments		
Treasury bills		
At start of year	**305,755,107**	351,397,845
Additions	**272,605,058**	611,206,499
Disposals	**(234,570,899)**	(688,057,262)
Fair value adjustments	**(2,123,114)**	1,752,534
Transfer (to) and from pledged assets	**(3,840,314)**	29,455,491
At end of year	**337,825,838**	305,755,107
Treasury bonds		
At start of year	**415,818,251**	414,779,871
Additions	**123,367,191**	290,227,094
Disposals	**(61,552,932)**	(172,057,108)
Fair value adjustments	**28,708,214**	(9,179,646)
Transfer to pledged assets	**-**	(107,951,960)
At end of year	**506,340,724**	415,818,251
Total at end of year	**844,166,562**	721,573,358
Other equity investments		
Total other equity investments	**178,468**	199,424
	178,468	199,424
	844,345,030	721,772,782
17.2) Trading assets		
Treasury bills		
At start of year	**572,844,527**	305,270,153
Additions	**4,463,604,259**	4,970,864,118
Disposals	**(4,826,842,035)**	(4,617,541,220)
Fair value adjustments	**(572,343)**	1,099,540
Transfer to pledged assets	**-**	(86,848,064)
At end of year	**209,034,408**	572,844,527
Treasury bonds		
At start of the year	**529,104,511**	307,280,951
Additions	**7,492,212,280**	2,627,976,344
Disposals	**(7,177,321,997)**	(2,142,247,345)
Fair value adjustments	**4,386,954**	1,821,779
Transfer to pledged assets	**-**	(265,727,218)
At end of year	**848,381,748**	529,104,511
	1,057,416,156	1,101,949,038
	1,901,761,186	1,823,721,820

Government treasury bills are debt securities issued by Bank of Uganda for a term of three months, six months or one year. Government treasury bonds are debt instruments issued by Bank of Uganda for a term of either two, three, five or ten years.

Government securities are categorised as fair value through other comprehensive income which are fair valued through reserves and trading assets, which are fair valued through the income statement. The weighted average effective interest rate on treasury bills and bonds was 12.91% (2020: 12.97%).

Other equity investments relate to investment in the Society for Worldwide Interbank Financial Telecommunication (SWIFT) shares, an entity that provides a network that enables financial institutions to send and receive information about financial transactions in a secure, standardised and reliable environment.

The following table presents details of financial assets which have been sold or otherwise transferred, but which have not been derecognised in their entirety or which were partially derecognised together with their associated liabilities. This table does not disclose the total risk exposure in terms of these transactions, instead it provides disclosures as required by IFRS.

17.3) Pledged assets	GROUP				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net fair value
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
2021					
Securities pledged under clearing house values	3,840,314	-	3,879,862	-	3,879,862
Pledged assets (as recognised on the statement of financial position)	3,840,314	-	3,879,862	-	3,879,862
Total assets pledged	3,840,314	-	3,879,862	-	3,879,862

	GROUP				
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets	Fair value of associated liabilities	Net fair value
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
2020					
Securities pledged under clearing house values	168,372,750	-	167,413,294	-	167,413,294
Securities pledged under repurchase agreements	292,154,492	300,057,534	290,609,022	300,049,285	(9,440,263)
Pledged assets (as recognised on the statement of financial position)	460,527,242	300,057,534	458,022,316	300,049,285	157,973,031
Total assets pledged	460,527,242	300,057,534	458,022,316	300,049,285	157,973,031

As at 31 December 2021, the Group has pledged government securities with a carrying amount of UShs 3.94 billion to Bank of Uganda under the automated clearing house rules (2020: UShs 168 billion). As at 31 December 2020, the Group had obtained funding from Bank of Uganda amounting to UShs 300 billion as disclosed in Note 29 under repurchase agreements for government securities with a fair value as at that date of Shs 292 billion. Bank of Uganda has the right to transfer or sell these instruments. Accordingly, these have been presented separately on the face of the statement of financial position as pledged assets.

Reconciliation of expected credit losses for debt financial investments measured at FVOCI

GROUP	Opening ECL 2021/01/01	Income statement movements			Net impairments raised/ (released)	Closing ECL 2021/12/31
2021	UShs'000				UShs'000	UShs'000
		ECL on new exposures raised UShs'000	Subsequent changes in ECL UShs'000	Change in ECL due to derecognition UShs'000		
Financial Investments measured at FVOCI						
Stage 1	**(188,212)**	**(140,073)**	**(20,711)**	**63,414**	**(97,370)**	**(285,582)**
Stage 2	**-**	**-**	**-**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(188,212)**	**(140,073)**	**(20,711)**	**63,414**	**(97,370)**	**(285,582)**

GROUP	2020 Opening ECL 2020/01/01	Income statement movements			Net impairments raised/ (released)	Closing ECL 2020/12/31
2020	UShs'000				UShs'000	UShs'000
		ECL on new exposures raised UShs'000	Subsequent changes in ECL UShs'000	Change in ECL due to derecognition UShs'000		
Financial Investments measured at FVOCI						
Stage 1	(110,019)	(188,212)	-	110,019	(78,193)	(188,212)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	(110,019)	(188,212)	-	110,019	(78,193)	(188,212)

18 Loans and advances to banks

	GROUP	
	2021	2020
Measured at amortized cost	**UShs' 000**	UShs' 000
Items in course of collection - foreign banks	**3,455,712**	17,560,694
Placements with local banks	**259,520,537**	91,104,336
Placements with foreign banks	**843,277,115**	575,379,667
Gross loans and advances	**1,106,253,364**	684,044,697
Less: provision for impairment	**(131,348)**	(115,209)
	1,106,122,016	683,929,488

The weighted average effective interest rate on loans and advances to banks was 0.6% (2020: 0.6%)

18 Loans and advances to banks (continued)

Reconciliation of expected credit losses for loans and advances to banks measured at amortized cost as at 31 December 2021.

	Opening ECL 2021/01/01	Total transfers between stages	Income statement movements			Net impairments raised/ (released)	Exchange and other movements	Closing ECL 2021/12/31
	UShs'000	UShs'000				UShs'000	UShs'000	UShs'000
2021			ECL on new exposures raised	Subsequent changes in ECL	Change in ECL due to derecognition			
			UShs'000	UShs'000	UShs'000			
Stage 1	**(32,753)**	**37,402**	**(21,775)**	**(102,092)**	**29,352**	**(57,113)**	**(36,905)**	**(126,771)**
Stage 2	**(82,456)**	**(37,402)**	**(3,562)**	**119,165**	**-**	**78,201**	**(322)**	**(4,577)**
Stage 3	**-**		**-**	**-**	**-**	**-**		**-**
Total	**(115,209)**	**-**	**(25,337)**	**17,073**	**29,352**	**21,088**	**(37,227)**	**(131,348)**

	Opening ECL 2020/01/01	Total transfers between stages	Income statement movements			Net impairments raised/ (released)	Exchange and other movements	Closing ECL 2020/12/31
	UShs'000	UShs'000				UShs'000	UShs'000	UShs'000
2020			ECL on new exposures raised	Subsequent changes in ECL	Change in ECL due to derecognition			
			UShs'000	UShs'000	UShs'000			
Stage 1	(137,561)	187	(29,315)	230,840	5,549	207,074	(102,453)	(32,753)
Stage 2	(2)	(187)	(82,041)	(210)	-	(82,251)	(16)	(82,456)
Stage 3	-		-	-	-	-	-	-
Total	(137,563)	-	(111,356)	230,630	5,549	124,823	(102,469)	(115,209)

19 Loans and advances to customers

	GROUP	
	2021	2020
	UShs' 000	UShs' 000
Home services	**151,291,900**	133,036,736
Vehicle and asset finance	**159,452,367**	173,890,373
Card and payments	**3,750,141**	3,722,980
Personal unsecured lending	**1,064,116,653**	804,647,269
Business and other lending	**734,367,289**	793,559,800
Corporate lending	**1,280,377,223**	1,209,873,676
Sovereign lending	**503,289,483**	672,367,601
Gross loans and advances	**3,896,645,056**	3,791,098,435
Less: Interest in suspense	**(5,199,772)**	(7,656,032)
Less: Expected credit loss for loans and advances measured at amortised cost	**(169,372,214)**	(165,089,082)
	3,722,073,070	3,618,353,321

Included in other loans and advances is the fair value adjustment of loans advanced to staff at off market rates of UShs 21,389 million (2020: UShs 15,927 million).

19 Loans and advances to customers (continued)

Reconciliation of expected credit losses for loans and advances to customers measured at amortised cost as at 31 December 2021

GROUP 2021	Opening ECL	Total transfers between stages	Income statement movements			Net impairments raised/(released)	TVM unwinding and IIS movement	Impaired accounts written-off	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Subsequent changes in ECL	Change in ECL due to derecognition					
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
BCC and CHNW										
Mortgage loans										
Stage 1	(3,690,013)	1,684,423	(447,898)	(1,518,657)	-	(282,132)	-	-	(183,273)	(4,155,418)
Stage 2	(2,737,938)	(1,923,884)	(19,500)	(7,128,274)	-	(9,071,658)	-	-	358,429	(11,451,167)
Stage 3 (including IIS)	(6,083,984)	239,461	-	(7,821,525)	-	(7,582,064)	356,819	1,182,026	-	(12,127,203)
Vehicle and asset finance										
Stage 1	(1,243,132)	1,105,453	(1,479,386)	29,156	-	(344,777)	-	-	-	(1,587,909)
Stage 2	(3,091,891)	(1,209,644)	(53,364)	216,363	-	(1,046,645)	-	-	41,131	(4,097,405)
Stage 3 (including IIS)	(3,979,673)	104,191	(153,706)	(3,516,517)	-	(3,566,032)	375,655	524,042	-	(6,646,008)
Card debtors										
Stage 1	(102,575)	(509,946)	(10,617)	524,557	-	3,994	-	-	-	(98,581)
Stage 2	(690,475)	486,255	(941)	(1,005,074)	-	(519,760)	-	-	(80,125)	(1,290,360)
Stage 3 (including IIS)	(256,697)	23,691	(379)	(187,493)	-	(164,181)	-	337,715	-	(83,163)
Other Loans and Advances										
Stage 1	(21,387,752)	853,425	(9,213,479)	9,422,002	-	1,061,948	-	-	183,273	(20,142,531)
Stage 2	(14,451,622)	(1,301,925)	(2,010,343)	(2,791,785)	-	(6,104,053)	-	-	(319,435)	(20,875,110)
Stage 3 (including IIS)	(56,225,782)	448,500	(9,006,404)	(34,938,073)	-	(43,495,977)	782,548	27,305,588	-	(71,633,623)
	(113,941,534)	-	(22,396,017)	(48,715,320)	-	(71,111,337)	1,515,022	29,349,371	-	(154,188,478)
Corporate and Investment Banking										
Stage 1	(9,249,862)	3	(2,176,874)	2,529,518	852,801	1,205,448	-	-	483,292	(7,561,122)
Stage 2	(158,526)	(3)	(39,545)	3,980	146,662	111,094	-	-	477	(46,955)
Stage 3 (including IIS)	(49,395,192)	-	-	416,722	(5,579,999)	(5,163,277)	6,042,108	35,740,930	-	(12,775,431)
	(58,803,580)	-	(2,216,419)	2,950,220	(4,580,536)	(3,846,735)	6,042,108	35,740,930	483,769	(20,383,508)
Total	(172,745,114)	-	(24,612,436)	(45,765,100)	(4,580,536)	(74,958,072)	7,557,130	65,090,301	483,769	(174,571,986)

19 Loans and advances to customers (continued)

Reconciliation of expected credit losses for loans and advances to customers measured at amortised cost as at 31 December 2020

GROUP 2020	Opening ECL	Total transfers between stages	Income statement movements			Net impairments raised/(released)	TVM unwinding and IIS movement	Impaired accounts writ-ten-off	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Subsequent changes in ECL	Change in ECL due to derecognition					
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
BCC and CHNW										
Mortgage loans										
Stage 1	(495,944)	(685,201)	(170,081)	(2,338,787)	-	(2,508,868)	-	-	-	(3,690,013)
Stage 2	(2,994,415)	917,023	(61,253)	(599,293)	-	(660,546)	-	-	-	(2,737,938)
Stage 3 (including IIS)	(3,037,777)	(231,822)	(293,888)	(3,084,783)	-	(3,378,671)	(543,443)	1,107,729	-	(6,083,984)
Vehicle and asset finance										
Stage 1	(716,839)	(1,844,131)	(88,097)	1,405,935	-	1,317,838	-	-	-	(1,243,132)
Stage 2	(4,225,845)	2,363,536	(1,063,294)	(166,288)	-	(1,229,582)	-	-	-	(3,091,891)
Stage 3 (including IIS)	(1,462,140)	(519,405)	(1,198,440)	(799,688)	-	(1,998,128)	-	-	-	(3,979,673)
Card debtors										
Stage 1	(74,519)	(191,987)	(64,870)	228,801	-	163,931	-	-	-	(102,575)
Stage 2	(467,595)	210,097	(25,308)	(407,669)	-	(432,977)	-	-	-	(690,475)
Stage 3 (including IIS)	(179,433)	(18,110)	-	(791,592)	-	(791,592)	-	732,438	-	(256,697)
Other Loans and Advances										
Stage 1	(18,837,755)	(2,852,951)	(3,994,164)	4,297,118	-	302,954	-	-	-	(21,387,752)
Stage 2	(18,888,230)	4,071,073	(3,073,424)	3,438,959	-	365,535	-	-	-	(14,451,622)
Stage 3 (including IIS)	(38,349,299)	(1,218,122)	(16,126,323)	(49,660,821)	-	(65,787,144)	(1,070,481)	50,199,264	-	(56,225,782)
	(89,729,791)	-	(26,159,142)	(48,478,108)	-	(74,637,250)	(1,613,924)	52,039,431	-	(113,941,534)
Corporate and Investment Banking										
Stage 1	(4,679,473)	158,667	(6,612,994)	201,182	1,654,639	(4,757,173)	-	-	28,117	(9,249,862)
Stage 2	(1,574,519)	(158,667)	(35,479)	1,546,590	64,393	1,575,504	-	-	(844)	(158,526)
Stage 3 (including IIS)	(20,648,625)	-	(30,153,803)	3,258,618	4,281,507	(22,613,678)	(6,042,108)	-	(90,781)	(49,395,192)
	(26,902,617)	-	(36,802,276)	5,006,390	6,000,539	(25,795,347)	(6,042,108)	-	(63,508)	(58,803,580)
Total	(116,632,408)	-	(62,961,418)	(43,471,718)	6,000,539	(100,432,597)	(7,656,032)	52,039,431	(63,508)	(172,745,114)

19 Loans and advances to customers (continued)

2021 Modifications on loans and advances measured at a mortised cost

	Stage3			Total
GROUP	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss
	UShs'000	UShs'000	UShs'000	UShs'000
2021				
Mortgage loans	6,205,490	(1,550,888)	6,205,490	(1,550,888)
Other loans and advances	22,950,456	(5,311,450)	22,950,456	(5,311,450)
Total	29,155,946	(6,862,338)	29,155,946	(6,862,338)

The gross carrying amount for modifications during the reporting year that resulted in no economic gain or loss (i.e. no net modification gain or loss) is Ushs 351.7 billion (2020: Ushs 662.9 billion). The loans and advances to customers include finance lease receivables for both BCC and CHNW and CIB as follows:

Vehichle and Asset Finance

GROUP	2021 UShs' 000	2020 UShs' 000
Gross investment in finance leases		
No later than 1 year	123,852,049	14,524,103
Later than 1 year but no later than 5 years	15,112,493	151,572,373
Later than 5 years	20,487,825	39,106,752
	159,452,367	205,203,228
Unearned future finance income on finance leases	-	(31,312,855)
Net investment in finance leases	159,452,367	173,890,373
The net investment in finance leases may be analysed as follows:		
No later than 1 year	123,852,049	14,523,480
Later than 1 year but no later than 5 years	15,112,493	130,173,988
Later than 5 years	20,487,825	29,192,905
	159,452,367	173,890,373

20 Deferred tax asset

	GROUP		COMPANY	
	2021 UShs' 000	2020 UShs' 000	2021 UShs' 000	2020 UShs' 000
Balance as at 1 January	44,542,719	30,877,380	850,042	(321,587)
Charge to income statement	10,579,252	11,440,384	2,923,169	855,481
Transfer	-	-	-	316,148
Financial investments	(8,766,164)	2,224,955	-	-
As at 31 December	46,355,807	44,542,719	3,773,211	850,042
Deferred income tax assets				
Provisions for loans and advances	22,351,020	18,051,076	-	-
Financial investments	(7,608,271)	1,157,895	-	-
Other deductible temporary differences	51,443,660	47,196,971	3,803,954	509,257
	66,186,409	66,405,942	3,803,954	509,257
Deferred income tax liabilities				
Property, equipment and right of use assets	(19,830,602)	(21,863,223)	(30,743)	340,785
Net deferred income tax assets	46,355,807	44,542,719	3,773,211	850,042
Income statement movement				
Property, equipment and right of use assets	1,665,379	(353,961)	(371,528)	19,198
Provisions for loans and advances	4,299,944	1,410,456	-	-
Other deductible temporary differences	4,613,929	10,385,891	3,294,697	(883,227)
	10,579,252	11,442,386	2,923,169	(864,029)

21 Other assets

	GROUP 2021 UShs' 000	GROUP 2020 UShs' 000	COMPANY 2021 UShs' 000	COMPANY 2020 UShs' 000
Clearances in transit	3,434,777	17,835,459	-	-
Prepayments	25,441,431	19,220,990	13,365	61,826
Fees receivable	6,585,115	10,760,603	-	-
Mobile wallet balances	159,812,763	22,760,709	-	-
Other accounts receivable	71,737,304	26,210,969	492,824	165,678
	267,011,390	96,788,730	506,189	227,504

1 Due to the short-term nature of these assets and historical experience, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

The fees receivable includes commissions earned but not yet received from, Bancassurance fees UShs 4.2 billion (2020: UShs 5.3 billion), custody fees UShs 0.6billion (2020: UShs 0.4billion), structured fees Ushs 1.4 billion (2020:4.5 billion), guarantee fees UShs 0.3 billion (2020: UShs 0.5 billion). Other accounts recievable include spot transactions from counter parties of UShs 55.9 billion (2020:nil).

22 Goodwill and other intangible assets

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment of goodwill identified in 2021 (2020: nil). Intangible assets relate to Finacle-Core Banking system, New Business Online (BoI) and Records Management software developed to digitize the customer (KYC) records for the Group

GROUP	Computer software UShs' 000	Goodwill UShs' 000	Work in progress UShs' 000	Total UShs' 000
Cost				
At 1 January 2021	145,721,207	1,901,592	93,540	147,716,339
Additions	3,206,781	-	680,460	3,887,241
Transfers	774,000	-	(774,000)	-
At 31 December 2021	149,701,988	1,901,592	-	151,603,580
Amortisation				
At 1 January 2021	54,268,763	-	-	54,268,763
Charge for the year	15,041,404	-	-	15,041,404
At 31 December 2021	69,310,167	-	-	69,310,167
Net book value as at 31 December 2021	80,391,821	1,901,592	-	82,293,413

GROUP	Computer software UShs' 000	Goodwill UShs' 000	Work in progress UShs' 000	Total UShs' 000
Cost				
At 1 January 2020	134,732,779	1,901,592	-	136,634,371
Additions	10,988,428	-	93,540	11,081,968
Transfers	-	-	-	-
impairment	-	-	-	-
At 31 December 2020	145,721,207	1,901,592	93,540	147,716,339
Amortisation				
At 1 January 2020	39,566,117	-	-	39,566,117
Charge for the year	13,194,769	-	-	13,194,769
impairment	1,507,877			1,507,877
At 31 December 2020	54,268,763	-	-	54,268,763
Net book value as at 31 December 2020	91,452,444	1,901,592	93,540	93,447,576

23. Property, equipment and right of use assets

	Property	Equipment				Right of use asset			Total
GROUP	**Land and Buildings**	**Furniture, fittings and equipment**	**Computer equipment**	**Motor vehicles**	**Work in progress**	**Building**	**Branches**	**ATM Spacing and others**	**Total**
	USh's' 000	**USh's' 000**	**USh's' 000**	**USh's' 000**	**USh's' 000**	**USh's' 000**	**USh's' 000**	**USh's' 000**	**USh's' 000**
Cost									
At 1 January 2021	3,402,996	83,166,208	103,977,905	9,055,938	-	21,197,919	24,564,827	10,177,224	255,543,017
Additions	-	2,034,940	5,640,290	1,058,858	218,655	14,572,159	3,663,766	2,897,110	30,085,778
Transfers	-	89,180	-	-	(89,180)	-	-	-	-
Disposals	-	(2,261,696)	(3,423,206)	(78,775)	-	330,951	(2,047,889)	(1,224,210)	(8,704,825)
At 31 December 2021	3,402,996	83,028,632	106,194,989	10,036,021	129,475	36,101,029	26,180,704	11,850,124	276,923,970
Depreciation									
At 1 January 2021	1,286,672	67,664,448	71,644,177	5,951,731	-	11,739,117	10,073,657	5,765,285	174,125,087
Charge for the year	68,965	6,050,692	12,289,564	1,390,311	-	6,196,976	4,817,017	2,204,116	33,017,641
On disposals	-	(2,261,601)	(3,423,010)	(78,775)	-	-	-	-	(5,763,386)
At 31 December 2021	1,355,637	71,453,539	80,510,731	7,263,267	-	17,936,093	14,890,674	7,969,401	201,379,342
Net book value as at 31 December 2021	2,047,359	11,575,093	25,684,258	2,772,754	129,475	18,164,936	11,290,030	3,880,723	75,544,628

	Property	Equipment				Right of use asset			Total
GROUP	**Land and Buildings**	**Furniture, fittings and equipment**	**Computer equipment**	**Motor vehicles**	**Work in progress**	**Building**	**Branches**	**ATM Spacing and others**	**Total**
	USh's' 000	**USh's' 000**	**USh's' 000**	**USh's' 000**	**USh's' 000**	**USh's' 000**	**USh's' 000**	**USh's' 000**	**USh's' 000**
Cost									
At 1 January 2020	3,402,996	80,767,051	86,053,896	9,599,926	6,676,281	19,410,413	18,782,028	6,682,153	231,374,744
Additions	-	2,316,242	5,012,893	307,835	19,654,784	1,928,908	5,936,653	3,525,753	38,683,068
Transfers	-	1,105,423	15,694,905	-	(26,331,065)	-	-	-	(9,530,737)
Disposals	-	(1,022,508)	(2,783,789)	(851,823)	-	(141,402)	(153,854)	(30,682)	(4,984,058)
Written off	-	-	-	-	-	-	-	-	-
At 31 December 2020	3,402,996	83,166,208	103,977,905	9,055,938	-	21,197,919	24,564,827	10,177,224	255,543,017
Depreciation									
At 1 January 2020	1,222,231	62,097,059	61,871,451	5,337,124	-	6,118,801	4,994,260	3,295,453	144,936,379
Charge for the year	64,441	6,524,886	12,525,950	1,389,788	-	5,667,450	5,079,397	2,469,832	33,721,744
On disposals	-	(957,497)	(2,753,224)	(775,181)	-	(47,134)	-	-	(4,533,036)
At 31 December 2020	1,286,672	67,664,448	71,644,177	5,951,731	-	11,739,117	10,073,657	5,765,285	174,125,087
Net book value as at 31 December 2020	2,116,324	15,501,760	32,333,728	3,104,207	-	9,458,802	14,491,170	4,411,939	81,417,930

Right of use assets relates to leased branches, ATMs and buildings.

23. Property, equipment and right of use assets (continued)

	Property	Equipment				Right of use asset	Total
COMAPNY	Land and Buildings	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Work in progress	Building	Total
	USh's' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Cost							
At 1 January 2021	-	639,481	38,584	-	-	421,930	1,099,995
Additions	-	106,429	28,934	440,678	109,475	621,051	1,306,567
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At 31 December 2021	-	745,910	67,518	440,678	109,475	1,042,981	2,406,562
Depreciation							
At 1 January 2021	-	86,281	3,617	-	-	148,246	238,144
Charge for the year	-	138,128	13,226	73,446	-	343,859	568,659
On disposals	-	-	-	-	-	-	-
At 31 December 2021	-	224,409	16,843	73,446	-	492,105	806,803
Net book value as at 31 December 2021	-	521,501	50,675	367,232	109,475	550,876	1,599,759

	Property	Equipment				Right of use asset	Total
COMAPNY	Land and Buildings	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Work in progress	Building	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Cost							
At 1 January 2020	3,402,996	156,050	-	-	-	-	3,559,046
Additions	-	483,431	38,584	-	-	421,930	943,945
Transfers	-	-	-	-	-	-	-
Disposals	(3,402,996)	-	-	-	-	-	(3,402,996)
Written off	-	-	-	-	-	-	-
At 31 December 2020	-	639,481	38,584	-	-	421,930	1,099,995
Depreciation							
At 1 January 2020	1,222,231	-	-	-	-	-	1,222,231
Charge for the year	28,680	86,281	3,617	-	-	148,246	266,824
On disposals	(1,250,911)	-	-	-	-	-	(1,250,911)
At 31 December 2020	-	86,281	3,617	-	-	148,246	238,144
Net book value as at 31 December 2020	-	553,200	34,967	-	-	273,684	861,851

24. Ordinary share capital and share premium

(a) Ordinary share capital

GROUP	Number of ordinary shares (thousands)	Ordinary share capital UShs'000	Total UShs'000
Issued and fully paid			
At 31 December 2020	**51,188,670**	**51,188,670**	**51,188,670**
At 31 December 2021	**51,188,670**	**51,188,670**	**51,188,670**

The par value of ordinary shares is UShs 1 per share. The holders of the ordinary shares are entitled to one vote per share at the annual or special general meeting of the Group. They are also entitled to dividends when declared.

25. Fair value through other comprehensive income

	GROUP	
	2021	2020
	UShs' 000	UShs' 000
Balance as at 1 January	**(2,513,543)**	2,599,829
Net gains/(losses) from changes in fair value	**29,220,552**	(7,416,522)
Deferred tax on fair value change	**(8,766,166)**	2,224,957
Net change in expected credit losses	**97,371**	78,193
Net movement for the year	**20,551,757**	(5,113,372)
Balance as at 31 December	**18,038,214**	(2,513,543)

26. Statutory credit risk reserve

The statutory credit risk reserve represents amounts by which provisions for impairment of loans and advances, determined in accordance with the Financial Institutions Act 2004, as amended exceed those determined in accordance with International Financial Reporting Standards.

	2021	
	2021	2020
	UShs' 000	UShs' 000
Specific provisions (regulatory)	**85,984,754**	72,229,055
General provisions (regulatory)	**57,377,297**	55,715,739
	143,362,051	127,944,794
Less		
Stage 3	**86,958,342**	109,959,015
Stage 1 and Stage 2	**74,788,984**	47,159,664
Difference	**(18,385,275)**	(29,173,885)
Statutory credit risk reserves	**-**	-

The IFRS provision reported on note 26 exclude provisions relating to written off facilities in accordance with Financial Institutions Act 2004, as amended of Ushs.12.8billion (2020: UShs 13.2billion). Where provisions for impairment of loans and advances determined in accordance with the Financial Institutions Act 2004, as amended exceed amounts determined in accordance with International Financial Reporting Standards, the excess is taken to the statutory credit risk reserve as an appropriation of retained earnings, otherwise, no further accounting entries are made. 2021: nil (2020: nil).

27 Derivatives

The Group uses currency forward derivative instruments and interest rate derivatives for trading and economic hedge purposes. Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market foreign exchange rates on hand relative to their terms. The aggregate contractual or notional amount of derivative financial instruments, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The notional amount is the sum of the absolute value of all bought and sold contracts for both derivative assets and liabilities.

The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the Group's participation in derivative contracts.

GROUP	Fair value of assets		Fair value of liabilities		Notional amount	
	2021	2020	2021	2020	2021	2020
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Interest rate swaps	70,852,475	132,686,758	(70,271,575)	(135,971,236)	3,482,014,020	3,273,557,564
Currency options	18,831,829	10,590,691	(19,016,597)	(10,590,685)	779,637,087	1,270,631,848
Currency forwards	6,029,381	7,066,019	(13,782,283)	(16,032,108)	468,845,950	919,935,015
Currency swap	33,450,356	10,573,658	(101,991,049)	(67,139,382)	2,059,943,620	831,736,364
	129,164,041	160,917,126	(205,061,504)	(229,733,411)	6,790,440,677	6,295,860,791

The maturity analysis of the fair values of derivative instruments held is set out below.

	Less than 1 year	1-5 years	Over 5 years	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000
As at 31 December 2021				
Assets				
Interest rate swaps	-	913,835	69,938,640	70,852,475
Currency options	4,304,447	14,527,382	-	18,831,829
Currency forwards	1,956,048	4,073,333	-	6,029,381
Currency swap	22,790,701	10,659,655	-	33,450,356
Fair value of assets	29,051,196	30,174,205	69,938,640	129,164,041
Liabilities				
Interest rate swaps	-	(332,935)	(69,938,640)	(70,271,575)
Currency options	(4,334,014)	(14,682,583)	-	(19,016,597)
Currency forwards	(2,308,867)	(11,473,416)	-	(13,782,283)
Currency swap	(5,230,819)	(96,760,230)	-	(101,991,049)
Fair value of liabilities	(11,873,700)	(123,249,164)	(69,938,640)	(205,061,504)
Net fair value	17,177,496	(93,074,959)	-	(75,897,463)

	Less than 1 year	1-5 years	Over 5 years	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000
As at 31 December 2020				
Assets				
Interest rate swaps	2,028	650,224	132,034,506	132,686,758
Currency options	1,266,679	9,324,012	-	10,590,691
Currency forwards	3,661,533	3,404,486	-	7,066,019
Currency swap	4,645,237	5,928,421	-	10,573,658
Fair value of assets	9,575,477	19,307,143	132,034,506	160,917,126
Liabilities				
Interest rate swaps	(12,773)	(3,923,957)	(132,034,506)	(135,971,236)
Currency options	(1,266,680)	(9,324,005)	-	(10,590,685)
Currency forwards	(4,653,208)	(11,378,900)	-	(16,032,108)
Currency swap	(7,136,991)	(60,002,391)	-	(67,139,382)
Fair value of liabilities	(13,069,652)	(84,629,253)	(132,034,506)	(229,733,411)
Net fair value	(3,494,175)	(65,322,110)	-	(68,816,285)

28. Customer deposits

	GROUP	
	2021	2020
	UShs' 000	UShs' 000
Current and demand deposits	4,970,751,135	4,770,787,497
Savings accounts	531,547,555	471,362,052
Fixed and call deposit accounts	238,744,476	251,329,985
	5,741,043,166	5,493,479,534

The weighted average effective interest rate on customer deposits was 0.63% (2020: 0.63%)

29. Deposits and balances due to banks

	GROUP 2021 UShs' 000	2020 UShs' 000
Balances due to other banks - local currency	**57,679,704**	254,990,766
Balances due to other banks - foreign currency	**97,395,410**	230,437,392
Repurchase and other collateralised agreements	**-**	300,049,285
	155,075,114	785,477,443

30. Borrowed funds

	GROUP 2021 UShs' 000	2020 UShs' 000
Bank of Uganda: Agricultural Credit Facility	**54,910,821**	43,346,567
Other borrowed funds	**110,285,664**	-
	165,196,485	43,346,567

	2021 UShs' 000	2020 UShs' 000
Movement Analysis		
As at 1 January	**43,346,567**	11,081,783
New disbursements (BOU)	**13,775,000**	34,556,454
New disbursements (others)	**110,285,664**	-
Payments to BOU	**(2,210,746)**	(2,291,670)
Net movement	**121,849,918**	32,264,784
As at 31 December	**165,196,485**	43,346,567

The Government of Uganda, through Bank of Uganda, set up an Agricultural Credit Facility scheme for the purpose of supporting agricultural expansion and modernization in partnership with commercial banks. All eligible Stanbic Bank Uganda Limited customers receive 50% financing from the Government of Uganda through the Group of Uganda administered credit facility while the remaining 50% is provided by the Group. The outstanding balance as at 31 December 2021 was UShs 54,911 million (2020: UShs 43,347million). The Group does not pay any interest to the Government of Uganda. Refunds to the government are made half yearly and as at 31 December 2021; the last payable instalment is due on 17 March 2025. The Group complied with all the terms and conditions of the agreements during the year.

As part of the Group's foreign currency funding plan, the Group borrowed Euro 25 million from Standard Chartered London to support its foreign currency assets. The loan is priced against Euribor with a tenor of 1 year."

As part of the efforts to support the recovery of the economy following the effects of COVID19, the Group partnered with several entities that include aBi 2020 Limited to support the lower echelons of the economy which has SACCOs, VSLAs, Cooperatives and Microfinance institutions. In 2021, SBU and aBi signed an agreement for a concessional funding of Ushs 20 billion to support on lending to the listed entities operating in the agricultural sector. As at 31 December 2021, the Group had received 1st tranche of Ushs 10 billion.

31. Other liabilities

	GROUP 2021 UShs' 000	2020 UShs' 000	COMPANY 2021 UShs' 000	2020 UShs' 000
Uganda Revenue Authority - tax revenue collections	**9,943,574**	16,520,806	196,496	125,842
Bills payable	**173,689,786**	115,596,385	529,917	549,599
Unclaimed balances	**45,658,075**	38,149,026	-	-
Sundry creditors	**63,396,212**	45,814,253	51,298	82,099
Unearned fees and commission income	**3,164,734**	3,923,433	-	-
Dividends payable	**15,917,796**	35,753,618	15,917,796	35,704,364
Expected credit loss for off-balance sheet exposures	**4,733,611**	4,924,978	-	-
Lease liabilities	**33,955,759**	27,344,438	600,473	326,053
Accepted letters of credit	**187,926,288**	31,014,342	-	-
Other liabilities	**46,066,377**	39,750,500	2,332,804	589,053
	584,452,213	358,791,779	19,628,784	37,377,010

Included in other liabilities for 2021 is staff cost provisions of UShs 34.0billion (2020: UShs 34.1billion). Bills payable include; country driven change the Group projects of UShs 45.8billion (2020: UShs 35.0billion), UShs 8.5billion digital financial inclusion contribution (2020: Ushs 10.8billion), Legal provisions UShS 15.4billion (2020: UShs 12.4 billion).

aBi 2020 limited also extended a grant of Ushs2 billon towards digitisation of SACCOs, VSLAs, Cooperatives and Microfinance institutions to drive financial inclusion and efficiencies to run their businesses. As at 31 December 2021, the Group had received 1st tranche of Ushs 1billion reported under other liabilities.

31.1 Reconciliation of expected credit losses for off-balance sheet exposure

GROUP 2021	Opening ECL	Total transfers between stages	Income statement movements			Net impairments raised/ (released)	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Subsequent changes in ECL	Change in ECL due to derecognition			
Letters of credit and bank acceptances								
Stage 1	(144,202)	(485)	(2,304)	(36,334)	20,328	(18,795)	7,272	(155,725)
Stage 2	(485)	485	(25,421)	-	-	(24,936)	7	(25,414)
Stage 3	(352,374)	-	232,767	-	-	232,767	9,622	(109,985)
Guarantees								
Stage 1	(2,625,970)	(70,421)	(499,132)	298,000	1,664	(269,889)	12,092	(2,883,767)
Stage 2	(480,603)	70,421	196	-	410,182	480,799	(786)	(590)
Stage 3	(1,321,344)	-	(280,066)	(570)	6,172	(274,464)	37,678	(1,558,130)
Total	(4,924,978)	-	(573,960)	261,096	438,346	125,482	65,885	(4,733,611)

GROUP 2020	Opening ECL	Total transfers between stages	Income statement movements			Net impairments raised/ (released)	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Subsequent changes in ECL	Change in ECL due to derecognition			
Letters of credit and bank acceptances								
Stage 1	(116,576)	(8,905)	(1,952)	(17,937)	1,168	(18,721)	-	(144,202)
Stage 2	(67,024)	68,535	(486)	-	119	(367)	(1,629)	(485)
Stage 3	-	(59,630)	-	(296,024)	-	(296,024)	3,280	(352,374)
Guarantees								
Stage 1	(1,234,271)	(456,453)	(13,348)	(924,828)	3,065	(935,111)	(135)	(2,625,970)
Stage 2	(958,168)	672,349	-	(357,182)	155,847	(201,335)	6,551	(480,603)
Stage 3	(7,229)	(215,896)	-	(1,115,821)	5,815	(1,110,006)	11,787	(1,321,344)
Total	(2,383,268)	-	(15,786)	(2,711,792)	166,014	(2,561,564)	19,854	(4,924,978)

31.2 Reconciliation of lease liabilities

GROUP	Balance at 01 Jan 2021 Ushs'000	Additions/ modification Ushs'000	Terminations/ modifications and or Cancellations Ushs'000	Interest Expense Ushs'000	Payments Ushs'000	Balance at 31 Dec 2021 Ushs'000
Buildings	**(6,644,431)**	**(14,572,158)**	**(330,951)**	**(1,080,440)**	**6,477,632**	**(16,150,348)**
Branches	**(14,995,427)**	**(3,663,766)**	**2,047,892**	**(945,752)**	**4,087,034**	**(13,470,019)**
ATM Spaces and others	**(5,704,580)**	**(2,897,110)**	**1,224,209**	**(293,135)**	**3,335,224**	**(4,335,392)**
Total	**(27,344,438)**	**(21,133,034)**	**2,941,150**	**(2,319,327)**	**13,899,890**	**(33,955,759)**
	Balance at 01 Jan 2020 Ushs'000	**Additions/ modification Ushs'000**	**Terminations/ modifications and or Cancellations Ushs'000**	**Interest Expense Ushs'000**	**Payments Ushs'000**	**Balance at 31 Dec 2020 Ushs'000**
Buildings	(10,968,144)	(1,928,908)	128,134	(1,094,377)	7,218,864	(6,644,431)
Branches	(13,097,264)	(5,936,654)	164,055	(1,467,036)	5,341,472	(14,995,427)
ATM Spaces and others	(4,333,983)	(3,525,751)	31,975	(440,448)	2,563,627	(5,704,580)
Total	(28,399,391)	(11,391,313)	324,164	(3,001,861)	15,123,963	(27,344,438)

The Group leases various offices, branch spaces and ATM spaces. Rental contracts are typically made for fixed average periods of between three to ten years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

31.3 Reconstruction of staff cost provision

	GROUP		COMPANY	
	2021 UShs' 000	2020 UShs' 000	**2021 UShs' 000**	2020 UShs' 000
Opening Balance	**34,082,236**	33,392,259	**329,371**	-
Less provision utilisation	**(25,220,489)**	(35,164,844)	**(315,605)**	(70,396)
Add: New provision made in the year	**28,591,646**	35,854,821	**1,997,344**	399,766
Closing Balance	**37,453,393**	34,082,236	**2,011,110**	329,371

31.4 Reconciliation of Litigation provisions

Litigation	GROUP 2021 UShs' 000	2020 UShs' 000
Opening balance 1 January	**12,436,332**	10,244,081
Add: New provisions made in the year	**3,411,006**	5,776,074
Less: Cases settled	**(254,293)**	(1,891,842)
Less: Adjustments in provisions	**(143,622)**	(1,691,981)
Closing Balance 31 December	**15,449,423**	12,436,332

32 Subordinated debt

GROUP		Carrying value	Notional value
As at 31 December 2021	**Date of issue**	**UShs' 000**	**UShs' 000**
Subordinated loan facility - Standard Bank South Africa	1 April 2021	**71,753,914**	**71,753,914**
		71,753,914	**71,753,914**
As at 31 December 2020	**Dateofissue**	**UShs'000**	**UShs'000**
Subordinated loan facility - Standard Bank South Africa	31 March 2016	73,022,525	73,022,525
		73,022,525	73,022,525

Movement analysis

	2021	2020
As at 1 January	**73,022,525**	73,022,525
Interest expense	**3,807,113**	5,202,256
Interest paid	**(4,821,263)**	(4,947,795)
Exchange rate movement	**(254,461)**	(254,461)
Net movement	**(1,268,611)**	-
As at 31 December	**71,753,914**	73,022,525

In 2021, the Group paid off the outstanding surbodinated debt and simultaneously signed an unsecured 10 year term subordinated loan facility agreement with Standard Bank of South Africa (SBSA) as the lender which commenced on 1 April 2021 amounting to USD 20 million at a rate of Libor plus 4.77%. The subordinated loan was sourced to supplement Bank capital and diversify funding sources.

33. Dividends

Bank of Uganda directed all Supervised Financial Institutions (SFIs), including Stanbic Bank Uganda, the bank subsidiary of SUHL to defer all discretionary payments including dividends for purposes of capital preservation. The proposed dividends for 2020 remain under review by Bank of Uganda which will inform the 2021 dividend recommendation.

34. Off-balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other off-balance sheet financial instruments including forward contracts for the purchase and sale of foreign currencies, the nominal amounts for which are not reflected in the statement of financial position.

GROUP	2021 UShs' 000	2020 UShs' 000
Contingent liabilities		
Acceptances and letters of credit	**223,703,640**	237,768,709
Guarantees and performance bonds	**1,696,232,281**	1,623,737,529
	1,919,935,921	1,861,506,238
Commitments		
Commitments to extend credit	**1,237,793,640**	1,433,445,628
Currency forwards	**328,917,790**	169,968,833
	1,566,711,430	1,603,414,461
	3,486,647,351	3,464,920,699

Nature of contingent liabilities

An acceptance is an undertaking by a Bank to pay a bill of exchange drawn on a customer.The Group expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Group to make payments to third parties, on production of documents, which are subsequently reimbursed by customers. Guarantees are generally written by a Bank to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event of the customer's default.Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The Group may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

Pending litigation

The Group is a litigant in several other cases which arise in the normal course of business. The directors and management believe the Group has strong grounds for success in a majority of the cases and are confident that they should get a ruling in their favour and none of the cases individually or in aggregate would have a significant impact on the Group's operations.

The directors have carried out an assessment of all the case outstanding as at 31 December 2021 and where considered necessary based on the merits of each case, a provision has been raised. In aggregate the total provisions raised amount to UShs 15.5billion (2020: UShs 12.4billion) which are reported under other liabilities (Note 31).

Other matters

In August 2017, the Uganda Revenue Authority (URA) wrote to the Uganda Bankers Association (UBA) indicating that the applicable stamp duty rate on performance bonds, indemnity bonds and guarantees is 1% of bond/guaranteed total value and not the fixed rate of UShs 10,000 that was being applied.

This pronouncement created a potential liability on Stanbic Bank Uganda Limited which the Group through the UBA legal committee, has challenged this decision at the High Court. Furthermore, URA on 25 March 2019, prior to the High Court hearing, sought to collect the stamp duty in connection with the above treatment. Through an interim order of injunction from High Court, Stanbic bank Uganda restrained URA's enforcement of the tax liability and objected to the demand letter. URA in response maintained its objection decision, to which Stanbic Bank Uganda appealed to the Tax Appeals Tribunal (TAT) on 24 June 2019 and paid the mandatory 30% tax in dispute.

During the period 2020 URA and Stanbic Bank Uganda Limited compiled a joint trial bundle, witness statements and went through a reconciliation of the instruments subject to the assessment. In the second half of 2021, after the impact of Covid-19 lockdowns on court scheduling's, cross examinations of the Stanbic Bank witnesses were held.

On 21 March 2022, TAT ruled that Performance Bonds, Advance Payment Bonds, and Guarantees are "Indemnity Bonds" but Bid Bonds are not "Indemnity Bonds". The Group remains optimistic that the ruling will be made in its favour.

35. Analysis of cash and cash equivalents as shown in the statement of cash flow

	GROUP		COMPANY	
	2021	2020	**2021**	2020
	UShs' 000	UShs' 000	**UShs' 000**	UShs' 000
Cash and balances with Bank of Uganda	**984,530,697**	1,155,333,607	**-**	1,000
Cash reserve requirement	**(517,340,000)**	(456,990,000)	**-**	-
Government securities maturing within 90 days	**62,099,989**	713,304,636	**-**	-
Placements with other banks	**1,106,253,364**	684,044,697	**-**	-
Deposits from group companies	**401,399,237**	354,851,853	**35,757,732**	154,995,286
	2,036,943,287	2,450,544,793	**35,757,732**	154,996,286

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances maturing in 90 days or less from the date of acquisition including: cash and balances with central banks, treasury bills and other eligible bills, and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Group of Uganda. (See Note 16).

36. Related party transactions

Stanbic Uganda Holdings Limited (the Group) is 80% owned by Stanbic Africa Holdings Limited incorporated in United Kingdom. The ultimate parent and controlling party of the Group is Standard Bank Group Ltd, incorporated in South Africa. There are other companies which are related to Stanbic Uganda Holdings Limited through common shareholdings or common directorships. These include Standard Bank Isle of Man Limited, Standard Bank of South Africa, CfC Stanbic Bank Kenya Limited, Stanbic Bank Tanzania Limited, Stanbic Bank Botswana, Stanbic International Uganda Limited, Stanbic International Insurance Limited, Liberty Life Assurance Uganda Limited and Liberty General Insurance Uganda Limited. In the normal course of business, current accounts are operated and placings of foreign currencies are made with the parent company and other group companies at interest rates in line with the market.

Key management personnel has been defined as Stanbic Uganda Holdings Limited's board of directors and prescribed officers in the Group effective for 2021 and 2020. Non-executive directors are included in the definition of key management personnel as required by IFRS. The definition of key management includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may be expected to influence, or be influenced by, that person in their dealings with Stanbic Uganda Holdings Limited.

Related party transactions further breakdown

	GROUP 2021 USh's' 000 Parent	GROUP 2021 USh's' 000 Other	GROUP 2021 USh's' 000 Total	GROUP 2020 USh's' 000 Parent	GROUP 2020 USh's' 000 Other	GROUP 2020 USh's' 000 Total	COMPANY 2021 USh's' 000	COMPANY 2020 USh's' 000
Amounts due from group companies								
Placements and borrowings	40,332,249	359,776,039	400,108,288	13,026,311	340,142,944	353,169,255	154,995,286	34,808,894
Other assets	1,105,705	185,246	1,290,951	1,525,619	156,982	1,682,601	-	948,838
	41,437,954	359,961,285	401,399,239	14,551,930	340,299,926	354,851,856	154,995,286	35,757,732
Amounts due to group companies								
Deposits and current accounts	3,616,942	214,738,725	218,355,667	4,194,388	225,407,584	229,601,972	-	-
Lease liabilities	-	-	-	-	79,200,000	79,200,000	-	-
Other liabilities	42,055,319	(18,284)	42,037,035	42,754,782	50,725	42,805,507	-	-
	45,672,261	214,720,441	260,392,702	46,949,170	304,658,309	351,607,479	-	-
Subordinated debt due to group companies (see note 32)			**71,753,914**	**-**	**71,753,914**	73,022,525	-	73,022,525
Derivative asset due from group companies (see note 27)			**42,669,747**	**27**	**42,669,774**	20,767,349	-	20,767,349
Derivative liabilities due to group companies (see note 27)			**118,392,616**	**1,167**	**118,393,783**	181,392,214	47,864	181,440,078
Income and expenses								
Interest income earned			**-**	**310,924**	**310,924**	-	723,221	723,221
Interest expense paid			**3,807,113**	**3,598,403**	**7,405,516**	5,202,256	2,614,580	7,816,836
Trading revenue			**(47,431,830)**	**(46,724)**	**(47,478,554)**	82,644,519	47,881	82,692,400
Commission			**-**	**3,793,638**	**3,793,638**	-	4,089,554	4,089,554
Operating expenses incurred			**53,025,617**	**(77,198)**	**52,948,419**	44,743,384	37,508	44,780,892

- Stanbic Bank Uganda Limited has a joint venture agreement with Liberty Life Assurance Uganda Limited, Stanlib Uganda Limited and Liberty General Insurance Uganda Limited for which it receives a share of the profits derived from the bancassurance business. The Group also acts as an agent and receives commission.
- Included in other assets is commission earned but not yet received from the bancassurance business and joint venture profit share of UShs 3.8billion (2020: Ushs 4.1billion)

Nature of the transactions with related parties

In the normal course of business, the Group performs the following transactions with its related parties:

- Current accounts operation and placement of foreign currencies
- IT services including procurement and maintenance of various banking systems like; Business Online (BOL)
- Payment of franchise and management fees to the parent company
- Money market borrowing and lending
- Economic headging of transactions like interest rate swaps with various clients
- Loans or Borrowings

Loans to key management and related parties for the year ended 31 December 2021

GROUP	2021 Aggregate amount outstanding UShs '000	Interest Rate	Status Performing or Non performing	Facility
Directors	1.389,408	7.5%-38%	Performing	Loans and advances
Non-Executive Directors	2,564,928	7.5%-38%	Performing	Loans and advances
Executive Officers	1,334,035	7.5%-38%	Performing	Loans and advances
Credit extensions to related companies				
Uganda Breweries Limited	38,000,000	7.30%	Performing	Loans and advances
Credit extensions to individual affiliates	55,338	18%-19.5%	Performing	Loans and advances
Total	43,343,709			

No specific impairment has been recognised in respect of loans advanced to related parties (2020: nil).

Deposits with key management and related parties for the year ended 31 December 2021

GROUP Names of related Party	2021 Aggregate amount outstanding UShs '000	Facility
Directors	504,983	Deposit
Executive Officers	898,869	Deposit
Credit extentions to related companies		
Uganda Breweries Limited	6,181,229	Deposit
Total	7,585,151	

Loans to key management and related parties for the year ended 31 December 2020

GROUP	2020 Aggregate amount outstanding UShs '000	Interest Rate	Status Performing or Non performing	Facility
Directors	1,363,376	7.5%-38%	Performing	Loans and advances
Non-Executive Directors	2,693,325	7.5%-38%	Performing	Loans and advances
Executive Officers	1,806,259	7.5%-38%	Performing	Loans and advances
Credit extensions to related companies				
Uganda Breweries Limited	1,825,251	7.30%	Performing	Loans and advances
Credit extensions to individual affiliates	523,404	18%-19.5%	Performing	Loans and advances
Total	8,211,615			

No specific impairment has been recognised in respect of loans advanced to related parties (2020: nil).

Deposits with key management and related parties for the year ended 31 December 2020

GROUP Names of related Party	2020 Aggregate amount outstanding UShs '000	Facility
Directors	4,984,037	Deposit
Executive Officers	6,432,943	Deposit
Credit extentions to related companies		
Uganda Breweries Limited	6,422,080	Deposit
Total	17,839,060	

Loans granted to non-executive directors and their affiliates are granted at commercial rates while those granted to executive directors and executives are: Mortgage – 50% of prime rate, staff miscellaneous and car loans – 75% of prime rate, study loans – 0%.

Interest income	2021 Ushs'000	2020 Ushs'000
Interest in come from loans with key management	347,470	234,304
	347,470	234,304

GROUP	2021 Ushs'000	2020 Ushs'000
Key management compensation		
Salaries and other short term employment benefits	11,947,596	11,165,537
Post-employment benefits	1,657,777	1,666,953
	13,605,373	12,832,490
Directors remuneration		
Directors' fees	534,667	927,174
Other emoluments included in key management compensation	3,612,012	5,290,088
	4,146,679	6,217,262

37. Equity linked transactions

Standard Bank Group (SBG) has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the SBG share price at the date the option is granted. The Equity Growth Scheme was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights. The two schemes have five different sub-types of vesting categories as illustrated by the table below:

The two schemes have five different sub-types of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
Type A	3, 4, 5	50, 75, 100	10 Years
Type B	5, 6, 7	50, 75, 100	10 Years
Type C	2, 3, 4	50, 75, 100	10 Years
Type D	2, 3, 4	33, 67, 100	10 Years
Type E	3, 4, 5	33, 67, 100	10 Years

A reconciliation of the movement of share options and appreciation rights is detailed below:

GROUP AND COMPANY	Option price range (ZAR)	Number of options
Options outstanding at beginning of the period	**3 500**	**4 375**
Transfers	-	-
Lapsed	-	-
Exercised	**(3 500)**	**(875)**
Options outstanding at end of year	**-**	**3 500**

Share options were exercised regularly throughout the year. The weighted average share price for the year was ZAR131.30 (December 2020: ZAR116.16).

The following options granted to employees had not been exercised at 31 December 2021:

Number of ordinary shares (ZAR)	Option price range	Weighted average price (ZAR)	Option expiry period
	0		Year to 31 December 2021

The following options granted to employees had not been exercised at 31 December 2020:

Number of ordinary shares (ZAR)	Option price range	Weighted average price (ZAR)	Option expiry period
3 500	98.8		Year to 31 December 2020
3 500			

Equity Growth Scheme	Appreciation right price range (ZAR) 31-Dec-21	31-Dec-21	Number of rights 31-Dec-20
Rights outstanding at beginning of the period		44 501	49 501
Transfers		(44 501)	-
Granted		-	-
Exercised		-	(5 000)
Rights outstanding at end of year		-	44 501

The following rights granted to employees had not been exercised at 31 December 2021:

Number of rights	Price range (ZAR)	Weighted average price (ZAR)	Expiry period
0	0	0	

The following rights granted to employees had not been exercised at 31 December 2020:

Number of rights	Price range (ZAR)	Weighted average price (ZAR)	Expiry period
6 250	126.87	126.87	Year to 31 December 2021
31 339	156.96	156.96	Year to 31 December 2025
6 912	122.24	122.24	Year to 31 December 2026
44 501			

Shares Appreciation Right Scheme (SARP)

The SARP is a long-term incentive which was introduced during 2017, and represents appreciation rights allocated to employees. The converted value of the rights is effectively settled by issue of shares equivalent to the value of the rights. Vesting and expiry of the rights are indicated below:

	Year	% vesting	Expiry
SARP	2,3,4	33,67,100	4,5,6

Awards are issued to individuals in employment of a group entity domiciled in South Africa are classified as equity-settled and awards made to individuals of a group entity outside of South Africa are classified as cash-settled.

A reconciliation of the movement of share options is detailed below:

	Average price range (rand)	Number of rights 2021	2020
SARP			
Units outstanding at start of year		213,417	122077
Transfers		(171,627)	-
Granted	152.64	-	91,340
Rights outstanding at the end of year		**41,790**	**213,417**

During the year no Standard Bank Group shares (SBG) were issued to settle the appreciated rights value.

At the end of the year the Group would need to issue SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees, including executive directors, had not been exercised as at 31 December 2021.

Number of rights	Option price range (rand)	Weighted average price (rand)	Option expiry period
60,350	**155.95 - 220.97**	**186.13**	**Year to 31 December 2023**
65,606	**152.64 - 220.97**	**173.66**	**Year to 31 December 2024**
57,013	**152.64 - 182.43**	**166.52**	**Year to 31 December 2025**
30,448	**152.64**	**152.64**	**Year to 31 December 2026**
213,417			

The following rights granted to employees, including executive directors, had not been exercised as at 31 December.

Number of rights	Option price range (rand)	Weighted average price (rand)	Option expiry period
5,531	155.95	155.95	Year to 31December 2021
14,128	155.95-220.97	195.52	Year to 31December 2022
40,691	155.95-220.97	186.94	Year to 31December 2023
35,160	182.43-220.97	191.85	Year to 31December 2024
26,567	182.43	182.43	Year to 31December 2025
122,077			

The share appreciation rights granted are valued using a Black-Scholes option pricing model. Each grant is valued separately. There were no weighted fair value of the options granted per vesting and the assumptions utilised for 2021.

	2020		
	Tranche 1	Tranche 2	Tranche 3
Number of appreciation rights granted	30,446	30,446	30,448
Weighted average fair value at grant date (rands)	31.30	34.21	37.11
The principle inputs are as follows:			
Weighted average share price (rand)	152.64	152.64	152.64
Weighted average exercise price (rand)	152.64	152.64	152.64
Expected life (years)	3.18	4.18	5.18
Expected volatility (%)	28.55%	28.55%	28.55%
Risk-free interest rate (%)	6.18%	6.39%	6.61%
Dividend yield (%)	4.73%	4.68%	4.55%

Cash settled deferred bonus scheme (CSDBS)

All employees granted an annual performance award over a threshold and who is in employment in a group entity domicile outside of South Africa have part of their award deferred. In addition, the group makes special awards to qualifying employees in employment of a group entity. The awards are classified as cash-settled awards.

The award units are denominated in employee's host countries' local current, the value of which moves parallel to the changes in the price of the SBG shares listed on the JSE and accrue notional dividends over the vesting period which are payable on vesting.

Awards vest in three equal tranches at 18 months, 30 months and 42 months from the date of award. Final pay-out is determined with reference to SBG share price on vesting date.

				2021				
Currency	Weighted average fair value at grant date	Expected life at grant date (years)	Opening balance	Granted	Exercised	Transferred between group companies	Forfeited	Outstanding
UShs	**USh152.64**	**2.51**	**-**	**8,479,776**	**(6,417,621)**	**(12,369,722)**	**(649,145)**	**(10,956,712)**
				2020				
Currency	**Weighted average fair value at grant date**	**Expected life at grant date (years)**	**Opening balance**	**Granted**	**Exercised**	**Transferred between group companies**	**Forfeited**	**Outstanding**
UShs	USh152.64	2.51	25,795,985	7,273,220	(6,375,947)	-	-	26,693,258

37. Equity linked transactions (continued)

Deferred bonus scheme 2012 (DBS 2012)

In 2012, changes were made to the existing DBS to provide for a single global incentive deferral scheme across the regions. The purpose of the Deferred Bonus Scheme 2012 is to encourage a longer-term outlook in business decision-making and closer alignment of performance with long-term value creation.

All employees granted an annual performance award over a threshold have part of their award deferred. The award is indexed to the group's share price and accrues notional dividends during the vesting period, which are payable on vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final pay-out is determined with reference to the group's share price on vesting date.

The provision in respect of liabilities under the scheme amounts to UShs 2.3billion (2020: UShs 2.7billion) and the amount charged for the period was UShs 1.3billion (2020:UShs 2.3billion).

	Units	
	Dec-21	**Dec-20**
Reconciliation		
Units outstanding at beginning of the year	**8,869**	14,881
Granted	**3,793**	656
Exercised	**(3,555)**	(3,080)
Lapsed	**-**	-
Transfers	**(1,739)**	5,631
Units outstanding at end of the year	**7,368**	8,869
Weighted average fair value at grant date (R)	-	152.64
Expected life (years)	**-**	2.51

Performance reward plan (PRP)

A new long-term performance driven share plan commenced in March 2014 which rewards value delivered against specific targets. The PRP incentivises a group of senior executives to meet the strategic long-term objectives that deliver value to shareholders, to align the interests of those executives with those of shareholders and to act as an attraction and retention mechanism in a highly competitive marketplace for skills. The PRP operates alongside the existing conditional, equity-settled long-term plans, namely the EGS, the group share incentive scheme (GSIS) and DBS post 2011.

The PRP is settled in shares to the employee on the applicable vesting dates together with notional dividends that are settled in cash. The shares that vest (if any) and that are delivered to the employee are conditional on the pre-specified performance metrics.

		Units
	Dec-21	**Dec-20**
Reconciliation		
Units outstanding at beginning of the year	**82,300**	60,600
Granted	**37,100**	34,500
Exercised	-	(12,800)
Transfers	**(46,936)**	-
Lapsed	**(9,644)**	-
Units outstanding at end of the year	**62820**	82300
Weighted average fair value at grant date (R)	-	152.64
Expected life at grant date (years)	**-**	3.00

38. Investment in subsidiary

COMPANY	Beneficial ownership	Country of incorparation	2021 UShs' 000	2020 UShs' 000
Stanbic Bank Uganda Limited	100%	**Uganda**	881,068,551	881,068,551
FLYHUB Uganda Limited	100%	**Uganda**	10,000,000	10,000,000
Stanbic Properties Limited	100%	**Uganda**	2,335,938	2,335,938
Stanbic Business Incubator Limited	100%	**Uganda**	100,000	100,000
SBG Securities Uganda Limited	100%	**Uganda**	3,000,000	-
			896,504,489	893,504,489

FLYHUB Uganda Limited

FLYHUB Uganda Limited (“FLYHUB”) was incorporated on 8th October 2020. FLYHUB is a Fintech company that provides financial technology and innovative services as part of the group’s digital transformation journey. The principal place of business for FLYHUB is Plot 5, Lower Kololo Terrace, Kampala, Uganda. PO Box 7131

Stanbic Business Incubator Limited

Stanbic Business Incubator Limited (“SBIL”) is a company limited by guarantee, incorporated on 18th May 2020 and commenced its activities as a separate entity on 1st June 2020. SBIL was set up as part of the reorganisation process to continue training SME’s in Uganda by equipping them with best business practices in management, record keeping, marketing, finance to address the challenges of short lifespan of SME’s in the economy. Stanbic Bank Uganda Limited started this initiative in 2018 before the reorganisation with the Business incubator operating as a unit under Business Banking. The principal place of business for SBIL is Plot 5, Lower Kololo Terrace, Kampala, Uganda. PO Box 7395.

Stanbic Bank Uganda Limited

Stanbic Bank Uganda Limited (SBU) is a licensed financial institution under the Financial Institutions Act and is a member of the Uganda Bankers Association. The Group is engaged in the business of commercial banking and the provision of related banking services. The principal place of business for SBU is Plot 17 Hannington Road, Short Tower - Crested Towers, Kampala, Uganda. PO Box 7131.

Stanbic Properties Limited

Stanbic Properties Limited (“SPL”) was incorporated on 5th February 2020 and started business operations on 1st May 2020. SPL holds and manages the real estate portfolio of the Group. Other services offered to clients include valuation services, site acquisition, property consultancy and execution of real estate projects. The principal place of business for SPL is Plot 17 Hannington Road, Tall Tower – Crested Towers, Mezzanine Floor, Kampala, Uganda. PO Box 7395.

SBG Securities Uganda Limited

SBG Securities Uganda Limited was incorporated and registered by the registrar of Companies in Uganda as a private limited liability company on 6 November 2020. SBG Securities Uganda Limited was established to acquire the business of SBG Securities Limited (Uganda Branch) and carry out other securities business in Uganda.

39. Retained earnings

This comprises prior period retained profits, plus profit for the year (less)/plus appropriation of statutory risk reserve less proposed dividends.

40. Subsequent events

There were no significant subsquent events to report.


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biggest
dreams
started small.
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SUPPLEMENTARY INFORMATION

Shareholder Analysis

Top ten Shareholders as at 31 December 2021

	Name	Number of Shares	% Shareholding
1	STANBIC AFRICA HOLDINGS LIMITED	40 950 935 760	80.0%
2	NATIONAL SOCIAL SECURITY FUNDS	2 056 441 546	4.0%
3	DUET AFRICA OPPORTUNITIES MASTER FUND IC DUET AFRICA OPPORTUNITIES MASTER FUND IC	556 592 615	1.1%
4	KIMBERLITE FRONTIER AFRICA MASTER FUND,L.P.-RCKM KIMBERLITE FRONTIER AFRICA MASTER FUND,L.P.-RCKM	387 978 256	0.8%
5	SUDHIR RUPARELIA	374 000 000	0.7%
6	BANK OF UGANDA DEFINED BENEFITS SCHEME- GENEAFRICA	330 723 247	0.6%
7	SSBT-CHANGE GLOBAL FRONTIER MARKETS, LP-CGPA	310 417 533	0.6%
8	FRONTAURA GLOBAL FRONTIER FUND LLC FRONTAURA GLOBAL FRONTIER FUND LLC	280 210 513	0.5%
9	IBULAIMU KIRONDE KABANDA	273 044 994	0.5%
10	NATIONAL SOCIAL SECURITY FUND NATIONAL SOCIAL SECURITY FUND-PINEBRIDGE	212 610 920	0.4%

Key Shareholder Information

Stanbic Uganda is majority-owned by Stanbic Africa Holdings Limited (SAHL), which is a private limited liability company incorporated in the United Kingdom. SAHL is, in turn, wholly owned by Standard Bank Group and is the vehicle through which Standard Bank Group holds its interests in several Banks in African countries. Standard Bank Group is a public limited liability Company incorporated in South Africa and is listed on the Johannesburg Stock Exchange (JSE). Standard Bank Group as at 31 December 2021 had total assets of ZAR 2.7trillion (US$156 billion) the market capitalisation is ZAR 230billion (US$14 billion) and employs more than 49,000 people worldwide. Standard Bank Group, whose year of founding traces back to 1862 in South Africa, trades as Standard Bank in South Africa, Namibia, Mauritius, Mozambique and Swaziland and as Stanbic Bank throughout the remainder of the African continent. It has wide representation, which spans 20 African countries and owns a controlling stake in the South African listed insurance company Liberty Holdings Limited. While its principal activities are banking and related financial services, Standard Bank Group has delivered its operations to meet the demands of the fast changing and demanding business world, with investments in insurance, wealth management and investment management. It provides a wide range of banking and related financial services.

ANALYSIS BY SIZE OF HOLDING

VOLUME	NO. OF SHARES	%	HOLDERS
1 - 1,000	172,159	0.00%	354
1,001 - 5,000	2,393,444	0.00%	829
5,001- 10,000	40,248,962	0.08%	4130
10,001 - 100,000	616,565,496	1.20%	11715
100,001 - 500,000	1 010,890,513	1.98%	3988
500,001 - 1,000,000	606,239,762	1.18%	742
1,000,001 - 5,000,000	955,137,310	1.87%	608
> 5,000,001	47,956,931,054	93.69%	104
REGISTER TOTALS	**51,188,669,700**	**100.00%**	**22 470**

Stanbic Uganda Holdings Limited

Notice of Annual General Meeting, 2022

NOTICE IS HEREBY GIVEN that the **ANNUAL GENERAL MEETING** (AGM) of Stanbic Uganda Holdings Limited ("the Company") for the year ended December 31st, 2021, will be held **via electronic means** in accordance with Article 50 (a) of the Articles of Association, on **Thursday, June 02nd 2022,** at **11:00 am** to conduct the following business:

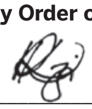
Agenda

Ordinary Business

1. To consider and, if deemed fit, pass an ordinary resolution to receive and adopt the annual audited financial statements for the year ended December 31st, 2021, including the reports of the Directors and External Auditors.
2. To consider and, if deemed fit, pass an ordinary resolution to confirm the appointment of Directors in accordance with the provisions of the Company articles of association.
3. To consider and, if deemed fit, pass an ordinary resolution to approve the re-appointment of PricewaterhouseCoopers (PwC) as the External Auditors of the Company for the year 2022.
4. To consider, and if deemed fit, pass an ordinary resolution to receive and approve the fees payable to the Non-Executive Directors for the year 2022.
5. To consider and, if deemed fit, pass an ordinary resolution to authorise the Board to take the necessary steps to effect the payment of dividends for the year ended December 31st 2021, dependent on regulatory approval.
6. To conduct any other business for which due notice has been given.

Dated: May 11th, 2022

By Order of the Board



Rita Kabatunzi
Company Secretary

Notes

AGM Registration and Meeting Access Information

1. To participate in the virtual AGM, shareholders are advised to register using the options below:
   i. Dial ***284*32#** (Uganda mobile networks) or ***483*250#** (Kenya mobile networks) and follow the prompts
   ii. Send an email request to be registered to **suhlagm@image.co.ke.**
   iii. For shareholders with updated details on the register, through the registration link that shall be circulated to their email addresses through which they can register.
2. For support during the registration process, please call +256 312 226 723 or +254 709 170 000 or send an email to **suhlagm@image.co.ke.** Shareholders that desire to update their contact details are requested to contact the share registrar, Custody & Registrars Services Uganda, at **shareholder@candrgroup.co.ug** or call +256 757 072 773.
3. Registration commences on **Wednesday, May 11th, 2022, at 8:00 am** and will close on **Wednesday, June 01st 2022, at 5:00 pm**.
4. A shareholder will be required to submit a valid identification document such as a National Identity card or passport number and or their SCD account details to facilitate shareholder verification.
5. The AGM will be streamed live via a link that shall be provided to all shareholders who will have successfully registered to participate in the AGM. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers 24 hours prior to the AGM, a reminder of the AGM, and a link to the live stream. A second SMS/USSD prompt shall be sent one hour ahead of the AGM. In registering to attend the AGM, a shareholder consents to receive all messages pertaining to the AGM.

Shareholder Rights

6. Shareholders are entitled to attend, speak and vote at the meeting. A shareholder may appoint a proxy if he / she cannot participate in the meeting. A proxy form is included in the Annual Report or may be downloaded from the Company website **www.stanbic.co.ug**
7. The duly completed proxy form should be delivered to the Company Secretary at the Company Head Office at Crested Towers, Short Tower 17 Hannington Road, or emailed to **suhlagm@image.co.ke** at least 48 hours before the scheduled time for the meeting. In default of this, it shall be treated as invalid.

Proxy Form

Stanbic Uganda Holdings Limited

(Registration number **80020001344445**) ("the Company")

A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.

I/We...
(Name in block letters)

of ....
(Address in block letters), being a shareholder(s) and the holder(s) of .... ordinary shares of Ushs. 1 each and entitled to vote, hereby appoint:

1...
or, failing him/her

2. ....

or, failing him/her the Chairman of the Annual General Meeting, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday June 02nd 2022 at 11:00am, and at any adjournment thereof as follows;

	AGENDA	For	Against	Abstain
	Ordinary resolution to:			
	Receive and Adopt the annual audited financial statements for the year ended December 31st, 2021, including the reports of the Directors and External Auditors.			
1.	Confirm the appointment of Directors in accordance with the provisions of the Company Articles of Association.			
	Approve the re-appointment of PricewaterhouseCoopers (PwC) as the External Auditors of the Company for the year 2022.			
	Receive and approve the fees payable to the Non-Executive Directors for the year 2022			
	Authorise the Board to take the necessary steps to effect the payment of dividends for the year ended 31st December, 2021, dependent on regulatory approval.			

Please indicate a cross or tick for each resolution above how you wish your votes to be cast. The 'abstain' option above is provided to enable you to withhold your vote on any resolution. However, it should be noted that a vote abstained is not a vote and will not be counted in the calculation of the proportion of the votes 'for' and 'against' a resolution. If no options are marked, the proxy can vote as he/she deems fit

Signature; ....

Dated this .... day of ...., 2022

Notes:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. To be effective, completed proxy forms must be lodged with the registered office at Crested Towers, Short Tower 17 Hannington Road, or emailed to suhlagm@image.co.ke at least 48 hours before the scheduled time for the meeting.
3. The Chairman of the Annual General Meeting may accept or reject any proxy form which is completed or received other than in compliance with these notes.
4. The signatories must initial any alteration to this proxy form, other than the deletion of alternatives.
5. The signatories must initial any alteration to this proxy form, other than the deletion of alternatives.

8. Shareholders and proxies who have successfully registered to attend the AGM will be able to follow the AGM proceedings and ask questions using the live stream platform. Duly registered shareholders and proxies may vote (when prompted) using the live stream link or using the USSD prompts.
9. Voting shall be done electronically using the VOTE tab on the live stream link or via USSD
10. Shareholders will receive an SMS prompt, with instructions, on their registered mobile phone number alerting them to Propose and Second the resolutions in the Notice.
11. Shareholders are advised to submit questions by Friday, May 27th, 2022, via phone, weblink or email. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so in the following ways:
    i. Through email to **suhlagm@image.co.ke** or **shareholder@candrgroup.co.ug**
    ii. Via SMS by dialing the USSD code above and selecting the option (Ask Question) on the prompts or,
    iii. Via Question Tab on the live stream link during the AGM,
    iv. Physically delivering their written questions with a physical return address or email address to the Company Secretary at the address below.
12. A complete list of all questions received, and the answers thereto will be published on the Company's website following the conclusion of the Annual General Meeting.
13. Please note that the audited financial statements, annual report, Notice of the AGM and proxy form will be uploaded onto the Company website **www.stanbic.co.ug.** The reports may also be accessed upon request by dialling the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the live stream link.

Dividends

14. Bank of Uganda directed all Supervised Financial Institutions (SFIs), including Stanbic Bank, the bank subsidiary of SUHL, to defer all discretionary payments dividends inclusive, for capital preservation purposes. Therefore, the bank subsidiary must obtain explicit approval from BOU to pay a dividend to SUHL. This dividend payment would form a significant portion of the SUHL shareholder dividend pool. Engagements with BOU concerning dividend payments for 2020 and 2021 remain underway as of this Notice's publication date. A further update will be provided to the shareholders at the 2022 AGM.
15. Shareholders who have not received past declared dividends are requested to send an email to **shareholder@candrgroup.co.ug** or call +256 757 072 773.

Immobilisation

16. The Uganda Securities Exchange has directed shareholders of listed companies to immobilise their shares. Therefore, shareholders are required to open Securities Central Depository accounts with any registered Securities Central Depository Agent (broker, investment advisor or custodian Bank). Please visit the Exchange's website at **https://www.use.or.ug** for more information.

Our Products and Services

CORPORATE AND INVESTMENT BANKING

TRADE FINANCE
- Letters of Credit
- Bid Guarantees
- Performance Guarantees
- Advance Payment Guarantees
- Avalisation
- Import/Export Loans
- Invoice Discounting
- Bills for Collection

CASH MANAGEMENT
- Cash in Transit
- Collect Plus (Courier)
- Electronic banking
- Bill Payments
- Liquidity Management
- Payments and Receivables Solutions

INVESTOR SERVICES
- Custody
- Fiscal Agency
- Facility Agency

INVESTMENT BANKING
- Equity Capital Markets
- Debt Capital Markets
- Advisory
- Asset Finance
- Syndication

INTERNATIONAL DEVELOPMENT GROUP
- Priority Suite

GLOBAL MARKETS
- Spot Foreign Exchange
- Forward Contract in Foreign Exchange
- Foreign Currency Options
- Cross Currency Swaps
- Interest Rate Swaps
- Money Market Products
- Interest Rate Options
- Structured Investments

PROJECT FINANCE

PERSONAL AND BUSINESS BANKING

TRANSACTIONAL ACCOUNTS
- Business Current Account
- SME Trader Account
- Personal Current Account
- Student Account
- NGO Account
- SACCO Account

BUSINESS LENDING
- Overdraft
- BusinessTerm Loan
- Commercial Property Loan
- Property Finance
- Vehicle and Asset Finance

PERSONAL LENDING
- Unsecured Personal Loan
- Overdrafts
- Home Loan
- Building Loan
- Equity Release Loan
- Vehicle and Asset Finance
- Credit Card

TRADE FINANCE
- Letters of Credit
- Bid Guarantees
- Performance Guarantees
- Advance Payment Guarantees
- Import/Export Loans
- Invoice Discounting

SAVINGS AND INVESTMENTS
- PureSave (local and foreign currency)
- Fixed Deposit Account

BANCASSURANCE
- Educare
- Motor/ Assets Comprehensive
- Funeral Plan
- Goods in Transit/ Marine Cargo
- SME Business Cover
- Commercial Property Insurance
- Business Life Insurance

SERVICES
- Internet banking
- Mobile banking
- Business Online
- Point of Sale
- Automated Teller Machines
- Debit and Credit Cards (VISA enabled)
- PayPlus
- Payment Services Solution (water, electricity, pay TV, pension)
- Agent banking
- FlexiPay
- School Pay
- Bill Payments

STANBIC PROPERTIES LIMITED

FACILITY MANAGEMENT
- Project Evaluation:
- Life Cycle Analysis:
- HSE Monitoring
- Premises Maintenance:

ADVISORY & CONSULTANCY SERVICES
- Market Research:
- Feasibility Studies:
- Project Viability:

VALUATION
- Conduct valuation of land, buildings, plant, machinery & equipment for several purposes. And provide quick professional opinion/advise on company properties
- Conduct research and release real estate market update reports quarterly or bi-annual.

PROJECT MANAGEMENT
- Project Formulation
- Contract Management
- Compliance Monitoring

PROPERTY SERVICES
- Leasing and Letting:
- Building and maintaining a leasing and letting portfolio
- Engaging prospective clients
- Superior client experiences for existing clients

SBG SECURITIES UGANDA LIMITED
- Securities trading
- Investment Advisory
- Share certificate immobilization
- Shares account opening
- Settlement of shares bought and sold
- Immobilization of shares held in certificate form into the Securities Central Depository
- Pledge of shares in favour of banks and financial institutions
- Private transfer of listed shares (subject to approval by Uganda Securities Exchange, Capital Markets Authority, and Securities Depository)
- Transmission of shares in case of death/succession

FLYHUB

- Platform and Application building (Digitizing where business happens)
- Process Automation (Digitizing how business is carried out)
- Applied Data science (Digitizing how business decisions are made)

BUSINESS INCUBATOR

Finance
- Financial Literacy
- Business analysis and planning

Managerial
- Corporate Governance
- Bid management
- Entrepreneurial attitude

- Procurement
- Human resource
- Contracts management

Compliance
- Compliance(Legal ,HR and Tax)
- Quality Management
- Organisation Health and safety

Business Management
- Design thinking and innovation
- Joint ventures
- Business ethics
- E-Commerce
- Risk management
- Marketing and Branding
-

Our branches Country-wide

BRANCH	PLOT DETAILS	
EASTERN		
Busia Branch	Plot 1, Tororo Road, Busia Town	Tororo Road
Iganga Branch	Plot 1 & 3, Magumba Road, Iganga Town	Magumba Road
Jinja Branch	Plot 2, Martin Rd.Jinja Town	Martin Road
Kamuli Branch	Plot 2, Gabula Rd.	Gabula Road
Kapchorwa Branch	Plot 20, Kitale Road, Kapchorwa	Kitale Road
Kotido Branch	Plot 3A, Moroto Road Kotido	Moroto Road
Lugazi Branch	Plot 108 Kampala-Lugazi Highway	Kampala-Lugazi Highway
Mbale Branch	Plot 50/52, Republic Av. Mbale Town	Republic Avenue
Moroto Branch	Plot 27, Lia Road Moroto"	Lia Road
Soroti Branch	Plot 42,Gweri Rd. Soroti Town	Gweri Road
Tororo Branch	Plot 1, Block 5 Uhuru Drive, Tororo Town	Nagogera Road
Aponye Mall Branch	Plot 8, Burton street	Burton street
Kawempe Branch	Plot 165 Kyadondo Road	Kyadondo Road
Kiboga Branch	Plot 100, Block 634Kilulumba Mubende Kiboga Town	Hoima Road
GREATER KAMPALA		
Kireka	Plot 107 Block 232 Kyadondo	Jinja Road
Kyambogo Branch	Kyambogo University Campus	Kyambogo University Campus
Luwero Branch	Plot 440, Block 652 Luwero Town	Kampala/Gulu High Way
Mityana Branch	Plot 54, Block 425, Mityana Road, Mityana	
Township"	Mityana Road	
Mpigi Branch	Plot 130 Block 92 Mawokoota, Mpigi	
Mukono Branch	Plot 37/39, Kampala Road, Mukono Town	Kampala/Jinja Road
Mulago Branch	Mulago Hospital Floor No.2	Mulago Hospital
Nakivubo Branch	Plot 58, William street	William Street
Nateete Branch	Plot 643, Block 18 Mengo Kibuga, Natete	Masaka Road
Wandegeya Branch	Plot 220, Kagugube Rd. Wandegeya	Kagugube Road
William Street Branch	Plot 6, William Street, Kampala	William Street
METRO		
Acacia Branch	Kisementi, Plot 8A-12A Cooper Road	Kololo, Kampala
Aponye Branch	Plot 8 Burton street	Burton Street
Bugolobi Branch	Plot 47A Spring Road, 9 Luthuli Av.and 9 Bandari Rise	47A Spring Road, 9 Luthuli Av.and 9 Bandari Rise
Entebbe Main Branch	Plot 15,Kla.Rd. Entebbe Town	Entebbe/Kampala Road
Forest Mall Branch	Plot 3A2 & 3A3 Sports Lane, Lugogo By -Pass, Kampala	Sports Lane, Lugogo By -Pass Road
Freedom City Branch	Freedom City Mall, Plot 4010 Entebbe Road, Namasuba.	Entebbe Road
Garden City Branch	Plot 64-86 Kitante Road, Kampala	Kitante Road
Kabalagala Branch	Embassy Plaza, plot 1188,1189,1190	Kibuga, Nsambya
Kampala Branch (Corporate)	Plot 18, Hannington Road	Hannington Road
Lugogo Branch	Plot 2-8 Lugogo By-Pass Rd.Lugogo Kampa-la. Shop No.5"	Lugogo By-Pass Road
Makerere Branch	Senate Building Makerere University Cam-pus	Senate Building
Metro Branch	Plot 4, Jinja Rd. Social Security House	Jinja Road
Nakasero Branch	Umoja Building, Plot 20 Nakasero Road, Opposite World Vision	Nakasero Road
Nakawa Branch	Plot M193/194 Nakawa, Industrial Area	Nakawa Industrial Area Road
Ntinda Branch	Plot 3798, Block 216 Kyadondo, Ntinda Trading Centre	

NORTHERN		
Adjumani Branch	Plot 2, Plot 9, Mangi Road Adjumani	Mangi Road
Apac Branch	Plot 18, Akokoro Rd.Apac Town	Akokoro Road
Arua Branch	Plot 25,Avenue Rd.Arua Town	Avenue Road
Gulu Branch	Plot 2 & 4,Acholi Rd.Gulu Town	Acholi Road
Kigumba Branch	Plot 18, Kampala Gulu High Way	Kampala Gulu High Way
Kitgum branch	Plot 4/6, Philip Adonga Rd,	Philip Adonga Road Kitgum
Lira Branch	Plot 2,Soroti Rd. Lira	Soroti Road
Moyo Branch	Plot 1,Kerere Crescent Rd. Moyo	Kerere Crescent Road
Nebbi Branch	Nebbi Trading Centre Volume 1274 Folio 22"	Arua Road

WESTERN		
Buliisa Branch	Buliisa - Paara Road, Buliisa Town	Paara Road
Bundibugyo Branch	Plot 4 Block A, Bundibugyo T/ship	Bundibugyo Road
Bwamiramira Branch	Plot 18,Karuguza T/Centre,Kibale Dist.	Karuguza Road
FortPortal Branch	Plot 20,Lugard Rd.F/Portal Town	Lugard Road
Hoima Branch	Plot 32 Main Street	Main Street
Ibanda Branch	Plot 10 - 12 Kamwege Road Ibanda	Kamwege Road
Ishaka Branch	Plot 44 Rukungiri Road, Ishaka Town	Rukungiri Road
Kabale Branch	Plots 150/152,Kabale Rd. Kabale Town	Kabale Road
Kabwohe Branch	Plot 6 Block A, Kabwohe Trading Centre	Kabwohe Road
Kalangala Branch	Kalangala Main Rd.Kalangala Town	Kalangala Main Road
Kasese Branch	Plot 27/31 Stanley Street,Kasese	Stanley Street
Kihihi Branch	Plot 63 Block 74 Kinkizi	
Kisoro Branch	Plot M5, Block 29 Kisoro/Kabale Rd. Kisolo Town	Kisoro/Kabale Road
Kyotera Branch	Plot 32, Masaka Rd.Kyotera Town	Masaka Road
Lyantonde Branch	Plot 200,Block 76 Lyantonde Town	Kampala/Mbarara Raod
Masaka Branch	Plot 4 ,Birch Av. Masaka Town	Birch Avenue
Masindi Branch	Plot29/33,Tongue Street Masindi	Tongue Street
Mbarara Branch	Plot 1/3 Ntare Rd.Mbarara Town	Ntare Road
Mubende Branch	Plot 2, Block 13 Main street Mubende	Main street
Ntungamo Branch	Plot 33, Ntungamo Township	Mbarara Kabale Road
Rukungiri Branch	Plot 123,Block 5 Kagunga	Rukungiri Town

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CUSTOMER SERVICE POINTS	PLOT DETAIL	STREET/ROAD
Bwera CSP	Saad Village, Mpondwe- Lubiriha, Bwera Town	Mpondwe-Lubiriha Road
Jinja CSP	Plot 3, Lady Alice Mukoli Road	,Lady Alice Mukoli Road
Kaabong CSP	Plot 20 Kaabong Central West, Kaabong Trading Centre	Kaabong Central West Road
Kayunga CSP	Plot 472 Block 123, Kayunga Trading Centre	Kayunga Road
Kagadi CSP	Kagadi Street, Kagadi on Mugenyi street	Kagadi/Mugenyi Street
Kumi CSP	Plot 2 Ngora Road , Kumi	Ngora Road
Pakwach CSP	Plot 94 Pakwach , Arua road	Arua Road
Kakira CSP	Kakira South Estate FRV 10 Folio 23, Kakira	Kakira South Estate Road
Kinyara CSP	Kinyara Estate	Kinyara Estate
Mayuge CSP	Owere Shoppers Akedi, Mayuge Town	Bukoba Road
Wobulenzi CSP	Plot 123 Block 159 Bulemezi, Wobulenzi Trading Centre	Kampala Gulu High Way

Company information

Registered/ Head Office
Crested Towers, Short Tower
17 Hannington Road
Kampala, Uganda
P.O. Box 7395 & 7131 Kampala, Uganda
Fax: +256 41 4230608

Company Secretary
Rita Kabatunzi
11th Floor Crested Towers, Short Tower
17 Hannington Road Kampala, Uganda
P.O. Box 7395 & 7131 Kampala, Uganda
Tel: +256 31 2224338

Share Registrars
Custody and Registrar Services (Uganda) Limited
4th Floor, Diamond Trust Center,
17/19 Kampala Road, Kampala, Uganda
Telephone: +256 414 237504

Auditors
PricewaterhouseCoopers
Certified Public Accountants,
Communications House,
1 Colville Street,
P. O. Box 882, Kampala Uganda.

Contact Details

Chief Financial Officer
Ronald Makata
Tel: +256 41 7 154 396

Company Secretary
Rita Kabatunzi
Tel: +256 41 7 154 338

Investor Relations
Sophie Achak
Tel: +256 41 7 154 310

Share Registrars
Custody and Registrar Services
(Uganda) Limited
4th Floor, Diamond Trust Center,
17/19 Kampala Road, Kampala, Uganda
Telephone: +256 414 237504

Other Customer Care Centre
Tel: 0800 250250

Email:
cccug@stanbic.com

For copies of our Annual reports, please refer to:
www.stanbicbank.co.ug/Uganda/About-Us/Investor--Relations

STANBIC BANK UGANDA LIMITED
Crested Towers (Short Tower)
Plot 17 Hannington Road
P.O. Box 7131 Kampala

SBG SECURITIES
Plot 17 Hannington Road
P.O. Box 7395 Kampala

STANBIC BUSINESS INCUBATOR
Plot 5 Lower Kololo Terrace
P.O. Box 7395 Kampala

STANBIC PROPERTIES LIMITED
1st Floor Crested Towers (Tall Tower)
Plot 17 Hannington Road
P.O. Box 7395 Kampala

FLYHUB UGANDA LIMITED
Plot 5 Lower Kololo Terrace
P.O. Box 7395 Kampala

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