Stanbic Bank Uganda Limited

Annual Report and Financial Statements

for the year ended 31 December 2022

Uganda sunrise with trees, hills, shadows and morning fog – **Uganda**

UGANDA IS OUR HOME,
WE DRIVE HER GROWTH

Stanbic Bank *IT CAN BE*™

A member of Standard Bank Group

Contents

Corporate Information

Directors
Chief Executive: Anne Juuko
Executive Director: Emma Mugisha

Non-Executive Directors
Damoni Kitabire (Chairman)
Prof. Patrick J. Mangheni
Patrick Mweheire
Olusola David-Borha
Eva G. Kavuma
Josepha T. Ndamira
Elizabeth K. Ntege
Kim Kamarebe (appointed on 2 June 2022)

Company Secretary
Rita Kabatunzi

Registered Office
Crested Towers,
Short Tower 17 Hannington Road
P.O. Box 7131
Kampala

Auditor
PricewaterhouseCoopers
Certified Public Accountants
Plot 1 Colville Street
Communications House
P. O. Box 882
Kampala

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of Stanbic Bank Uganda Limited ("the Bank").

Principal Activities

Stanbic Bank Uganda Limited is a licenced financial institution regulated by the Bank of Uganda (BOU) under the Financial Institutions Act, 2004 as amended. The Bank is engaged in the business of commercial banking and the provision of related banking services. The Bank is also among the six primary dealers selected by the Bank of Uganda to deal in Government of Uganda securities and is a member of the Uganda Bankers Association.

Results

The Bank's profit for the year of UShs 366 billion (2021: UShs 275 billion) has been added to retained earnings.

Dividends

During the year, an interim dividend of UShs 55 billion was paid. The directors recommend the approval of a final dividend for the year ended 31 December 2022 of UShs 195 billion. The total dividend for the year, therefore, is UShs 250 billion (2021: UShs 55 billion).

Share Capital

The total number of issued ordinary shares as at 31 December 2022 was UShs 153,566,009,000 ordinary shares of UShs 1 each (2021: UShs 51,188,669,700). These included 102,377,339,000 additional shares of UShs 1 each that were issued in order to meet new minimum capital requirements for commercial banks in Uganda.

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 page 3 of this report.

Directors' interest in shares

As at 31 December 2022, the following Directors held ordinary share in trust for Stanbic Uganda Holdings Limited as reflected in the table below:

Name	Number of Shares
Patrick Mweheire	3

Insurance

Directors' and Officers' liability insurance was maintained during the year.

Management by Third Parties

None of the business of Stanbic Bank Uganda 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

1 March 2023

Statement of Directors' Responsibilities

The Ugandan Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit or loss. It also requires the Directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Ugandan Companies Act, and the Financial Institutions Act 2004, as amended.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act and the Financial Institutions Act 2004, as amended.

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 control as they determine are 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 have assessed the Bank's ability to continue as a going concern. The Directors hereby report that nothing has come to their attention to indicate that the Bank will not remain a going concern for the foreseeable future from the date of this statement.

Approval of the financial statements

The financial statements of Stanbic Bank Uganda Limited were approved by the Board of Directors on 1 March 2023 and were signed on its behalf by:

Damoni Kitabire

Board Chairman
1 March 2023

Anne Juuko

Chief Executive
1 March 2023

Report of the Board Audit Committee

This report is provided by the Board Audit Committee of Stanbic Bank Uganda Limited ("the Bank") in respect of the year ended 31 December 2022. The Committee's operation is guided by a detailed mandate that is informed by the Financial Institutions Act, 2004 as amended, and is approved by the Board. The Committee is appointed by the Board.

Execution of Functions

The Committee has executed its duties and responsibilities during the financial year in accordance with its mandate as it relates to the Bank'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 auditor and the external audit:

- Considered and recommended to the Board for the appointment of PricewaterhouseCoopers (PwC), Certified Public Accountants, as external auditor for the financial year ended 31 December 2022, in accordance with all applicable legal requirements.
- Approved the external auditor's terms of engagement, the audit plan and budgeted audit fees payable.
- Assessed and obtained assurance from the external auditor that their independence was not impaired.
- Approved proposed contracts with the external auditor for the provision of non-audit services and pre-approved proposed contracts with the external auditor for the provision of non-audit services above an agreed threshold amount.
- Considered the nature and extent of all non-audit services provided by the external auditor.
- Confirmed that no reportable irregularities were identified and reported by the external auditor.

In respect of internal control and internal audit:

- Reviewed and approved the 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 bank's systems of internal control, 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 taken in response to such findings
- Noted that there were no significant differences of opinion between the internal audit function and management
- Assessed the independence and effectiveness of the group chief audit officer, the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory
- Considered the outcome of the group's external auditors' annual assessment of internal audit against the requirements of international standards on auditing (ISA) 601, which confirmed that the external auditors could place reliance on internal audit's work for the purpose of external audit engagements
- Reviewed internal audit's annual report which summarised the results and themes observed as part of internal audit's activities for the prior year as well as internal audit's assurance statement that the control environment was effective to ensure that the degree of risk taken by the bank was at an acceptable level and that internal financial controls were adequate and effective in ensuring the integrity of material financial information
- Based on the above, the committee formed the opinion that, at the date of this report, there were no material breakdowns in internal control, including internal financial controls, resulting in any material loss to the group
- Over the course of the year, met with the bank chief audit officer, the bank chief compliance officer, the head of anti-financial crime, the bank chief finance value manage officer, management, and the external auditors
- Considered quarterly reports from the bank's internal financial control committee.

Independence of the External Auditor

The audit committee is satisfied that PricewaterhouseCoopers Certified Public Accountants are independent of the Bank. This conclusion was arrived at, inter alia, after taking into account the following factors:

- The representations made by PricewaterhouseCoopers Certified Public Accountants to the Audit Committee in relation to their independence as external auditor.
- The auditor does not, except as external auditor or in rendering permitted non- audit services, receive any remuneration or other benefits from the Bank.
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken by them.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor.

In respect of the financial statements:

- Confirmed applicability of the going concern principle as the basis of preparation of the annual financial statements.
- Examined and reviewed the interim and annual financial statements prior to submission and approval by the Board.
- Reviewed reports on the adequacy of the provisions for loans and advances and other financial assets, and the methodology applied by the Bank in determining charges for and levels of impairment thereof.
- Ensured that the annual financial statements fairly present the financial position of the Bank, as at the end of the financial year and the results of it's operations and it's cash flows for the financial year.
- Ensured that the annual financial statements are prepared in accordance with IFRS and in the manner required by the Ugandan Companies Act and the Financial Institutions Act, 2004 as amended.
- Considered accounting treatments, significant unusual transactions and accounting judgements.
- Considered the appropriateness of the accounting policies adopted.
- Reviewed any significant legal and tax matters that could have a material impact on the financial statements.
- Reviewed and discussed the external auditor's report.
- Noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal financial controls, the content of the 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 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, the committee:

- Reviewed the plans and work outputs of the external and internal auditor as well as compliance and financial crime control and concluded that these were adequate to address all significant financial risks facing the business of the bank, and
- Considered the expertise, resources and experience of the finance function and the senior members of management responsible for this function and concluded that these were appropriate.

In respect of the Annual Report:

- Recommended the annual report to the Board for approval.
- 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 Bank'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 Bank.
- Reviewed and approved the mandate of the financial crimes as an independent risk function.
- Discussed significant financial crime matters and control weaknesses identified
- Considered quarterly reports from the Bank's internal financial controls committee.
- Considered the independent assessment of the effectiveness of the internal audit function.

In respect of legal, regulatory and compliance requirements:

- Reviewed, with Management, matters that could have a material impact on the Bank.
- Monitored compliance with the Ugandan Companies Act, the Financial Institutions Act 2004 as amended, all other applicable legislation and governance codes and reviewed reports from internal audit, external audit, and compliance relevant to their monitoring.
- Noted that no complaints were received through the Bank'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 and approved the annual compliance mandate and compliance plan. In respect of risk management, it considered and reviewed reports from Management on risk management, including fraud and its risks pertaining to financial reporting and the going concern assessment. In respect of the coordination of assurance activities, the Committee:
- 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 senior members of Management responsible for this function and concluded that these were appropriate.

In conclusion, the Board Audit Committee has complied with its legal, regulatory and governance responsibilities as set out in its mandate.

On behalf of the Board Audit Committee

Fibenderana .

Chairman,
Board Audit Committee
1 March 2023

REPORT OF THE INDEPENDENT AUDITOR

to the members of Stanbic Bank Uganda 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 Bank Uganda Limited ("the Bank") as at 31 December 2022, and of its profit and its 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 and the Financial Institutions Act 2004, as amended.

What we have audited

The financial statements of Stanbic Bank Uganda Limited set out on pages 12 to 83 comprise:

- the statement of financial position as at 31 December 2022;
- the income statement for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the 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 Bank 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.

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Partners: C Mpobusingye D Kalemba P Natamba U Mayanja
PricewaterhouseCoopers CPA is regulated by the Institute of Certified Public Accountants of Uganda (ICPAU), ICPAU No. AF0004

Key audit matters	How our audit addressed the key audit matters
Impairment of loans and advances As disclosed in **Note 19** of the financial statements, the Directors have estimated provisions for expected credit losses ("ECL") on loans and advances of UShs 149,835 million as at 31 December 2022 (2021: UShs 169,372 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 forward-looking parameters to be incorporated in the estimation of expected credit losses; • the overlays applied to the impairment calculation.	**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 Bank 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 Bank'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 external indicators where made use of. We also tested the accuracy of the underlying historical data applied by the Directors in deriving PDs; 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 Bank; 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 performed an independent recomputation of provisions for expected credit losses, separately on the Bank'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; and We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 9.

Fair valuation of derivative assets and liabilities	Our audit procedures are summarised as follows:
The Bank 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 2022 at UShs 111 billion (2021: UShs 129 billion) for derivative assets and UShs 149 billion (2021: UShs 205 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 evaluated 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 Corporate information, Director's Report, Statement of Directors' Responsibilities, Report of the Board Audit Committee and Supplementary information 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of 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 the Financial Institutions Act 2004, as amended, and, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so. The Directors are responsible for overseeing the Bank'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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Bank, so far as appears from our examination of those books; and

iii) the Bank's statement of financial position and 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.

Certified Public Accountants
Kampala

28 March 2023

CPA Uthman Mayanja

Income statement
For the year ended 31 December 2022

	Notes	2022 UShs'000	2021 UShs'000
Interest income	5	**634,500,545**	543,994,626
Interest expense	6	**(45,723,801)**	(46,006,839)
Net interest income		**588,776,744**	497,987,787
Fee and commission income	7	**190,377,326**	173,277,893
Fee and commission expenses	7	**(14,104,775)**	(8,857,656)
Net fees and commission income		**176,272,551**	164,420,237
Net trading income	8	**261,425,545**	233,701,721
Other losses on financial instruments	9	**-**	(3,295)
Other operating income	10	**7,982,852**	4,500,644
Non- interest revenue		**445,680,948**	402,619,307
Total income before credit impairment charge		**1,034,457,692**	900,607,094
Impairment charge for credit losses	11	**(59,572,490)**	(70,407,666)
Total income after credit impairment charge		**974,885,202**	830,199,428
Employee benefits expense	12	**(200,793,114)**	(167,486,534)
Amortisation	22	**(15,162,264)**	(15,041,404)
Depreciation	23	**(34,424,671)**	(33,808,790)
Other operating expenses	13	**(230,239,343)**	(254,221,062)
Profit before income tax		**494,265,810**	359,641,638
Income tax expense	14	**(128,230,443)**	(84,203,476)
Profit for the year attributable to the equity holders of the Bank		**366,035,367**	275,438,162
Earnings per share for profit attributable to the equity holders of the Bank during the year (expressed In UShs per share):			
Basic and diluted earnings per share	15	**6.51**	5.38

The notes set out on pages 17 to 83 form an integral part of these financial statements.

Statement of other comprehensive income
For the year ended 31 December 2022

	Note	2022 UShs'000	2021 UShs'000
Profit for the year		366,035,367	275,438,162
Other comprehensive income for the year after tax:[1]			
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	(7,909,086)	20,551,757
Total comprehensive income for the year		**358,126,281**	295,989,919

Income tax relating to each component of other comprehensive income is disclosed in note 25.
The notes set out on pages 17 to 83 form an integral part of these financial statements.

Statement of financial position
As at 31 December 2022

	Notes	2022 UShs'000	2021 UShs'000
ASSETS			
Cash and balances with Bank of Uganda	16	1,086,437,141	985,199,682
Derivative assets	27	111,325,016	129,164,041
Trading assets	17	1,598,475,974	1,057,416,156
Pledged assets	17	5,504,897	3,840,314
Financial investments	17	1,240,331,368	844,345,030
Loans and advances to banks	18	296,044,517	1,106,122,016
Loans and advances to customers	19	4,085,001,025	3,722,073,070
Amounts due from group companies	36	227,657,014	401,305,727
Other assets	21	202,650,169	263,348,116
Deferred income tax	20	39,414,319	42,378,459
Property, equipment and right-of-use assets	23	73,348,387	76,166,502
Goodwill and other intangible assets	22	67,131,149	82,293,413
Total assets		**9,033,320,976**	8,713,652,526
Shareholders' equity and liabilities			
Shareholders' equity			
Ordinary share capital	24	153,566,009	51,188,670
Ordinary share premium	24	725,964,739	829,879,881
Fair value through other comprehensive income reserve	25	10,129,128	18,038,214
Retained earnings	40	645,264,788	529,229,421
Proposed dividends	33	195,000,000	55,000,000
		1,729,924,664	1,483,336,186
Liabilities			
Derivative liabilities	27	149,082,358	205,061,504
Current tax liabilities	14	23,166,019	15,328,748
Deposits from customers	28	6,131,256,477	5,741,043,166
Deposits from banks	29	142,092,860	155,075,114
Amounts due to group companies	36	258,931,209	313,774,950
Borrowed funds	30	37,324,647	165,196,485
Subordinated debt	32	75,931,416	71,753,914
Other liabilities	31	485,611,326	563,082,459
		7,303,396,312	7,230,316,340
Total equity and liabilities		**9,033,320,976**	8,713,652,526

The notes set out on pages 17 to 83 form an integral part of these financial statements.

The financial statements on pages 12 to 83 were approved for issue by the Board of Directors on 1 March 2023 and signed on its behalf by:

....
Chairman

....
Chief Executive

Fibenderana.
....
Director

....
Company Secretary

Statement of changes in equity
For the year ended 31 December 2022

	Notes	Share Capital USh's'000	Share premium UShs'000	Fair value through OCI reserve UShs'000	Statutory Credit Risk Reserve UShs'000	Proposed dividends UShs'000	Retained earnings UShs'000	Total equity UShs'000
Balance at 1 January 2022		51,188,670	829,879,881	18,038,214	-	55,000,000	529,229,421	1,483,336,186
Profit for the year		-	-	-	-	-	366,035,367	366,035,367
Other comprehensive income after tax for the year	25	-	-	(7,909,086)	-	-	-	(7,909,086)
Transactions with owners recorded directly in equity					-			
Bonus issue	24	102,377,339	(102,377,339)	-	-	-	-	-
Bonus issue costs	24	-	(1,537,803)	-	-	-	-	(1,537,803)
Dividends paid	33	-	-	-	-	(55,000,000)	-	(55,000,000)
Interim dividends paid	33	-	-	-	-	-	(55,000,000)	(55,000,000)
Proposed dividends	33	-	-	-	-	195,000,000	(195,000,000)	-
Balance at 31 December 2022		**153,566,009**	**725,964,739**	**10,129,128**	**-**	**195,000,000**	**645,264,788**	**1,729,924,664**
Balance at 1 January 2021		51,188,670	829,879,881	(2,513,543)	-	100,000,000	208,791,259	1,187,346,267
Profit for the year		-	-	-	-	-	275,438,162	275,438,162
Other comprehensive loss after tax for the year	25	-	-	20,551,757	-	-	-	20,551,757
Transactions with owners recorded directly inequity								
Proposed dividends transferred back to retained earnings	33	-	-	-	-	(100,000,000)	100,000,000	-
Proposed dividends	33	-	-	-	-	55,000,000	(55,000,000)	-
Balance at 31 December 2021		51,188,670	829,879,881	18,038,214	-	55,000,000	529,229,421	1,483,336,186

Statement of cashflows
For the year ended 31 December 2022

	Notes	2022 UShs'000	2021 UShs'000
Cash flows from operating activities			
Interest received		680,308,891	543,521,114
Interest paid		(49,283,140)	(45,654,883)
Net fees and commissions received		182,166,817	160,244,749
Net trading and other income		296,468,904	246,348,151
Cash payment to employees and suppliers		(422,886,634)	(445,913,328)
Cash flows from operating activities before working capital changes		**686,774,838**	458,545,803
Changes in operating assets and liabilities			
Income tax paid	14	(113,996,761)	(82,649,195)
Decrease in derivative assets	27	17,839,025	31,753,085
Increase in financial investments	17	359,837,116	(744,556,343)
(Increase)/decrease in trading assets	17	(542,724,401)	501,219,810
Increase in cash reserve requirement	16	(117,610,000)	(60,350,000)
Increase in loans and advances to customers	19	(497,751,035)	(181,875,005)
Decrease/(increase) in other assets	21	54,803,681	(162,613,456)
Increase in customer deposits	28	393,772,650	247,211,676
Decrease in deposits and balances due to other banks	29	(12,982,254)	(630,402,329)
Decrease in deposits from group companies	36	(54,843,741)	(127,639,131)
Decrease in derivative liabilities	27	(55,979,146)	(24,671,907)
(Decrease)/increase in other liabilities		(87,875,127)	278,532,005
Net cash used in operating activities		**(690,409,387)**	(497,494,987)
Cash flows from investing activities			
Purchase of property and equipment	23	(16,820,977)	(7,784,352)
Purchase of computer software	23	-	(3,887,241)
Proceeds from sale of property and equipment	23	335,636	60,296
Net cash used in investing activities		**(16,485,341)**	(11,611,297)
Cash flows from financing activities			
Principle Lease payments	23	(10,436,780)	(25,030,647)
Dividends paid to shareholders	33	(110,000,000)	-
Bonus share issue costs	24	(1,537,803)	-
(Decrease)/increase in borrowed funds	30	(127,871,838)	121,849,918
Increase/(decrease) in subordinated debt		4,177,502	(1,268,611)
Net cash (used in)/ from financing activities		**(245,668,919)**	95,550,660
Net decrease in cash and cash equivalents	35	(952,563,647)	(413,555,624)
Cash and cash equivalents at start of year	35	2,037,518,760	2,451,074,384
Cash and cash equivalents at end of year	35	**1,084,955,113**	2,037,518,760

The notes set out on pages 17 to 83 form an integral part of these financial statements.

Notes

1. General information

Stanbic Bank Uganda Limited ("the Bank") is a limited liability company, incorporated and domiciled in Uganda. The address of its registered office is Plot 17 Hannington Road, short Tower - Crested Towers, P. O. Box 7131, Kampala, Uganda. The Bank is 100% owned by Stanbic Uganda Holdings Limited, a company listed on the Uganda Securities Exchange.

For purposes of reporting under the Companies Act of Uganda 2012 CAP 110 (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 applied in the preparation of the Bank's financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The annual financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and in the manner required by the Ugandan Companies Act and the Financial Institutions Act 2004 as amended. 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 h).
- Intangible assets, property, equipment and right-of-use assets are accounted for at cost less accumulated amortisation/ depreciation and impairment (accounting policy c).
- 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).
- 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 Bank's financial statements are measured using the currency of the primary economic environment in which the Bank 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 analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised 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.

b) Changes in accounting policies

The accounting policies are consistent with those reported in the previous year. There are no new or amended standards that are effective for the current reporting period. The Bank also did not early adopt any amended standards during the current reporting period.

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 losses (ECL)

During the current reporting period, models for measurement of ECL, have been enhanced but no material changes to assumptions have occurred. Changes in macro-economic conditions imposed considerable strain on our operations specifically retail, business and corporate clients, however, the Bank's risk appetite remained unchanged. As such the below significant increase in credit risk (SICR) and default assumptions, thresholds and/or triggers were not amended.

ECL on financial assets – drivers

For the purpose of determining the ECL:

- The home services, vehicle and asset finance (VAF), card, personal, business lending and other 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 lending and other 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 or financial asset 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. Financial assets must be assessed for significant increase in credit risk (SICR) compared to when the loan was first originated, prior to the loan reaching 30 days past due arrear status. This consideration increases the potential ECL.
- The measurement period for unutilised loan commitments utilise the same approach as on-balance sheet exposures.

Significant increase in credit risk 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 significant increase in credit risk at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. Significant increase in credit risk 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 considered in determining the probability of default (PD) including relative changes in PD. Credit risk has increased since initial recognition when these criteria are met. The Bank applied the 30 day period for identifying the significant increase in credit risk, except for corporate customers and Business Banking customers above USD 2 million in exposure. In addition, the Bank applies override to the 30 day rule presumed higher for significant increase in credit risk on the personal banking government portfolio based on the fact that arrears position at a point in time are only technical in nature and not a reflection of actual account performance.

The Bank 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 Bank 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 Bank'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.

Corporate 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 Bank'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 Bank determines 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	Change of 3 rating or more
SB 21 - 25	Change of 1 rating or more

Incorporation of forward-looking information (FLI) in ECL measurement

The Bank determines the macroeconomic outlook, over a planning horizon of at least three years, based on the Bank's global outlook and its global view of commodities.

For home services, VAF, card, personal, business lending and other products these forward-looking economic expectations are included in the ECL where adjustments are made based on the Bank'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 Bank's macro- economic outlook expectations. In addition to forward-looking macroeconomic information, other types of FLI such as specific event risk, have been taken into account in ECL estimates when required, through the application of out-of-model adjustment. These out-of-model adjustments are subject to Bank credit governance committee oversight.

The Bank's macroeconomic outlooks are incorporated in corporate, sovereign and bank products' clients rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the Bank'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.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the Bank's internal credit risk management approach and definitions. While the specific determination of default varies according to the nature of the product, it is compliant to the IFRS definition of default, and generally determined as occurring at the earlier of:

- where, in the Bank'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, this includes the classification of distressed restructures (including debt review exposure accounts) as default for a minimum of 6 months, while observing payment behaviour; 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 Bank 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 Bank 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, home services, etc.) which is deemed sufficient to determine whether the Bank is able to receive any further economic benefit from the impaired loan. The period defined for unsecured home services, VAF, card, personal, business lending and other products are determined with reference to post-default payment behaviour such as cumulative delinquency, as well as an analysis of post write-off recoveries. Factors that are within the Bank'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 instalments) is considered low to zero, unless it is after I year of going into arrears: 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.
- For corporate, sovereign and bank products, write-off are assessed on a case-by-case basis and approved by the CIB 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 Bank continuously monitors and reviews when exposures are written off, the levels of post write-off recoveries as well as the key factors influencing post write-off recoveries, which ensure that the Bank's point of write-off remains appropriate and that post write-off recoveries are within expectable levels over 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 (including debt review exposures) that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e., an average of six full consecutive monthly payments per the terms and conditions). In addition, distressed restructured financial assets that no longer qualify as credit impaired remain under observation within stage 3 for a minimum of 12 months to comply with FIA.

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 Bank's corporate and investment banking or home services, VAF, card, personal, business lending and other products credit governance committees (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 with existing financial asset terms and conditions.

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 Bank 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 2022, for inclusion in the Bank's forward-looking process and ECL calculation.

Ugandan economic expectations

The base case which is the most likely scenario and is assigned a 60% probability. Bank of Uganda is expected to hike CBR into Q1 of 2023 as headline inflation remains above 7.5% until April 2023. Inflation is expected to average 3% in the second half of 2023. GDP growth forecast trimmed to 5.0%-5.3% as adverse weather conditions constrain net exports, with coffee sector productivity expected to decline. Furthermore, disposable incomes will likely remain under pressure until at least the second half of 2023 due to tighter monetary policy. Over the medium term, increased oil-related investment should drive growth. First oil expected to be due 2026, and investment in this sector should underpin multiplier expenditure benefits for other sectors such as construction and transport.

The bear case shows a pessimistic trend and is assigned a 30% probability. CBR in this case is expected to be hiked much more than in the base case as inflation continues to rise and becomes sticky in some sectors. On a global scale, stagflation is expected to be more intense and cause further monetary policy tightening by major economies. In this scenario, owing to ESG concerns in regards to oil investment, first oil production is delayed to 2027 as government faces difficulties in sourcing funding. These delays in funding reduce public investment in infrastructure and weigh down FDI, dragging GDP growth lower.

The bull case shows an optimistic trend and is assigned a 10% probability. In this scenario, Bank of Uganda starts easing monetary policy in Q3 of 2023 as inflation sees a sharp decline. Notwithstanding ESG concerns, the Government of Uganda manages to secure financing for the construction of the East Africa Crude Oil Pipeline (EACOP) and first oil is realised in 2025. Further, monetary policy easing which leads to faster private sector lending by commercial banks, combined with an expansionary fiscal policy and higher oil related investments, supports GDP growth notably.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision of financial assets. Each scenario, namely base, bear and bull scenario, is presented for each identified time period.

2023	Base scenario		Bearish scenario		Bullish scenario	
Macroeconomic factors	Next 12 months	Remaining forecast period[2]	Next 12 months	Remaining forecast period2	Next 12 months	Remaining forecast period[2]
Uganda						
Inflation (%)	9.5	5.0	10.8	6.3	3.5	2.7
Real GDP[1] (%)	4.3	6.9	3.2	4.7	6.8	7.6
Policy Rate (%)	10.3	8.5	12.8	9.8	7.9	6.8
91-Day T-Bill (%)	9.9	7.8	12.5	11.2	8.1	7.1
Exchange rate USD/UShs	3,838	3,795	3,940	3,924	3,731	3,640
Prime lending rate (%)	19.0	19.0	21.0	21.0	17.0	17.0
2022						
Inflation (%)	5.5	3.7	5.8	4.5	3.6	2.5
Real GDP1 (%)	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

1 Gross domestic product
2 The remaining forecast period is 2024 to 2026
3 Next 12 months following 31 December 2022 is 1 January 2023 to 31 December 2023
4 2022 - The scenario weighted average is: Base at 60%, Bull at 10% and Bear at 30% Base scenario

Sensitivity analysis of the forward-looking impact on the total ECL provision on all financial instruments relating to corporate, sovereign and bank products

The expected credit loss methodology for corporate, sovereign and bank products is based primarily on client specific risk metrics, as such the forward-looking macroeconomic information is one of the component and/or driver of the total reported expected credit loss. Rating reviews of each client are performed at least annually and entails credit analysts completing a credit scorecard and incorporating forward-looking information at a client level. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting expected credit loss for the individual client.

Therefore, the impact of forward-looking economic conditions is embedded into the total expected credit loss for each client and cannot be stressed or separated out of the overall expected credit loss provision.

Sensitivity analysis of the forward-looking impact on the total ECL provision

During 2022, higher forward-looking ECL provisioning was raised due to significant uncertainty on the impact linked to macro-economic outlook and the forecast underlying the bear macro-economic scenarios.

The following table shows a comparison of the forward-looking impact on the provision as at 31 December 2022, based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighting of the above scenarios.

Macro-economic factors

	2022		2021	
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	4,457,727	1,389,653	3,068,074	723,727
100% Bear	12,068,838	(2,285,082)	14,353,920	1,933,940
100% Bull	505,829	128,046	377,783	(1,537,989)
Total ECL impact	17,032,394	(76,383)	17,799,777	1,119,678

Refer to **note 19** loans and advances for the carrying amounts of the loans and advances and **note 3(c)** for additional disclosures in relation to the Bank's credit risk.

BCC and CHNW IFRS 9 Impairment Model Overlays:

The portfolio model

For the portfolio model the Bank applies an enhanced Significant Increase in Credit Risk (SICR) rule that includes downgrading customers that are identified to have relatively lower turnovers. These transfers are done in addition to the other SICR components of historical delinquency and any qualitative factors. Expert judgement is used on products that do not have sufficient historical data to model the loss given default (LGD). Underlying assumptions to these overlays are discussed and approved by the Credit Risk Management Committee.

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 leading to transfer of 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 3.6 billion (2021: UShs 4.88 billion). This amount is derived by comparing the total ECL position after including these transfers and the total ECL position without these transfers.

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 changes in the macro-economic environment 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 macro-economic environment.

Fair value

Financial instruments

In terms of IFRS, the Bank 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 participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the Bank 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 Bank and, in particular, provides assurance that the risk and return measures that the Bank has taken are accurate and complete.

Valuation process

The Bank's valuation control framework comprises 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 Bank 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 Bank 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 may 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:

- implied volatilities on thinly traded instruments
- correlation between risk factors

In making appropriate valuation adjustments, the Bank 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
- 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 independently by the Bank's model validation unit. This control applies to both off-the-shelf models, as well as those developed internally by the Bank. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the Bank'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 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 Bank 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. 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.

As at 31 December 2022, the Bank's computer software assets' recoverable values were determined to be higher than their carrying values and therefore not impaired (Impairment 2021: Nil).

Current and deferred income tax

The Bank 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 Bank 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 (IAS 12) 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 Bank in order to utilise the deferred tax assets.

*Refer to **note 14** and **note 20** for current and deferred tax disclosures*

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 Bank'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 and **note 31** other liabilities and provisions.*

(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 Bank 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 de 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

Includes 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 cash flows and sell financial assets; 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 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. Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-trader margin.

(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 amortised cost or fair value as follows:

(i) Amortised cost

Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised 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.

Equity instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.

(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

Debt instruments: 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.

Equity instruments: Fair value gains and losses on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments. Dividends received on equity instruments are recognised in other revenue 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 nor are used to provide loans at a below market interest rate.

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 Bank 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 Bank'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 Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank 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 Bank's impairment methodology calculations and in the Bank's assessment of SICR. The Bank 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.

Cash and balances with the central bank

Cash and balances with the central bank comprise coins and bank notes and balances with the central bank (BOU). Included in balances with central bank are balances that primarily comprise of reserving requirements held with the central bank which are available for use by the Bank, subject to certain restrictions and limitations levied by the central bank but are subject to an insignificant risk of changes in value.

Coins and bank notes and balances with central banks comprising reserving requirements are measured at fair value through profit or loss – default.

Reclassification

Reclassifications of debt financial assets are permitted when, and only when, the bank changes its business model for managing its financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments
- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value
- The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value
- The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at the date of reclassification.

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.

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.

Amortised cost
Amortised cost using the effective interest method recognised in interest expense.

Derecognition and modification of financial assets and liabilities

Amortised cost using the effective interest method recognised in interest expense.

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 Bank 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 Bank is recognised as a separate asset or liability. The Bank 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 Bank 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 Bank 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.	In determining whether a modification is substantial, for financial asset qualitative factors are considered and for a financial liability, both qualitative and quantitative factors are considered. 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 Bank 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 Bank(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 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 Bank 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.

Derivatives and embedded derivatives

In the normal course of business, the Bank enters into a variety of derivative transactions for both trading and economic hedging purposes. Derivative financial instruments are entered into for benefit of the Bank and its customers and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the Bank 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.

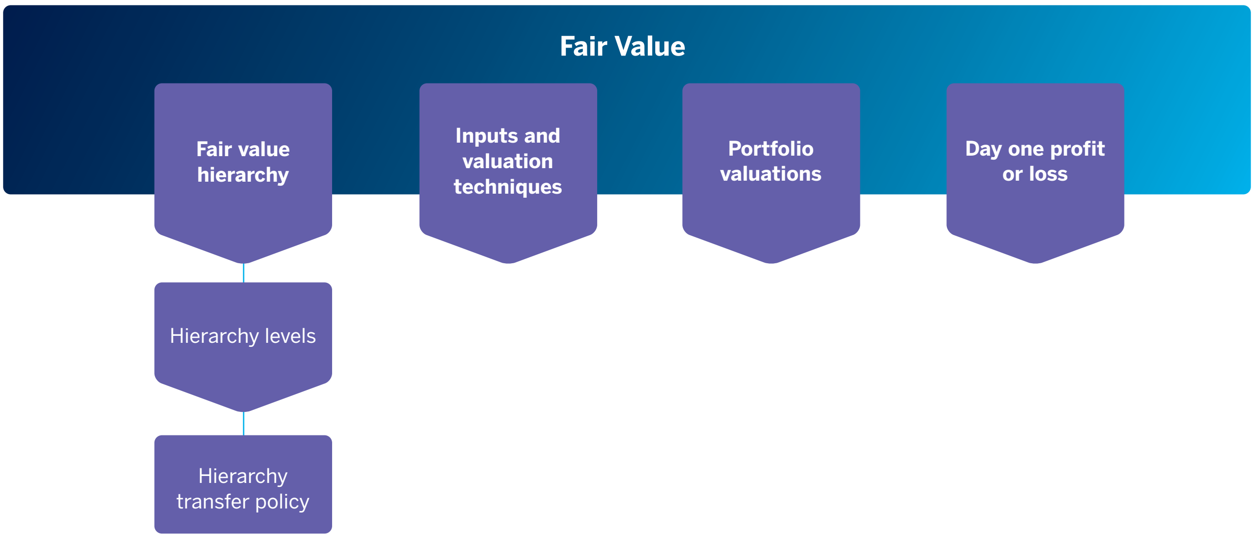
Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. These include forward contracts to purchase or sell commodities, 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.

Offsetting

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank 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 Bank's trading activity.

(b) Fair Value



In terms of IFRS, the Bank is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. 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 the price that would 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 under current market conditions. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the bank takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Fair value hierarchy

The Bank's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Hierarchy levels

The levels have been defined as follows:

Level 1
Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2
Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted 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
Fair value is determined through 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 instrument being valued and the similar instrument.

Hierarchy transfer policy
Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Inputs and valuation techniques
Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The fair value of items included in cash and cash equivalents is the same as the amortised cost value, as amortised cost items are initially measured at fair value. The fair value of cash and cash equivalents does not change, as there are no adjustments made to these items subsequent to initial recognition. These items are included in level 1 of the fair value hierarchy.

The Bank's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

Item and description	Valuation technique	Main inputs and assumptions
Derivative financial instruments Derivative financial instruments comprise foreign exchange, interest rate, commodity, credit and equity derivatives that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • discounted cash flow model • Black-Scholes model • combination technique models.	For level 2 and 3 fair value hierarchy items: • discount rate* • spot prices of the underlying • correlation factors • volatilities • dividend yields • earnings yield • valuation multiples.
Trading assets and trading liabilities Trading assets and liabilities comprise instruments which are part of the Bank's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial asset being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	
Pledged assets Pledged assets comprise instruments that may be sold or repledged by the Bank's counterparty in the absence of default by the Bank. Pledged assets include sovereign and corporate debt, equities, commodities pledged in terms of repurchase agreements and commodities that have been leased to third parties.		
Financial investments Financial investments are non-trading financial assets and primarily comprise of sovereign and corporate debt, listed and unlisted equity instruments, investments in debentures issued by the BOU, investments in mutual fund investments and unit-linked investments.		

Item and description	Valuation technique	Main inputs and assumptions
Loans and advances to banks and customers **Loans and advances comprise:** • Home services • Vehicle and asset finance • Card and payments • Personal unsecured lending • Business lending and other • Corporate and sovereign • Bank	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	For level 2 and 3 fair value hierarchy items: • discount rate*
Deposits and debt funding Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the Bank's credit risk relevant to that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	For level 2 and 3 fair value hierarchy items: • discount rate*

** Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/ service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.*

Portfolio valuations

The Bank has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits the group of financial assets and financial liabilities to be measured at fair value on a net basis, with the net fair value being allocated to the financial assets and financial liabilities.

Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred (and recognised together with the instrument it relates to) where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument or is determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs or realised through settlement.

Statutory credit risk reserve

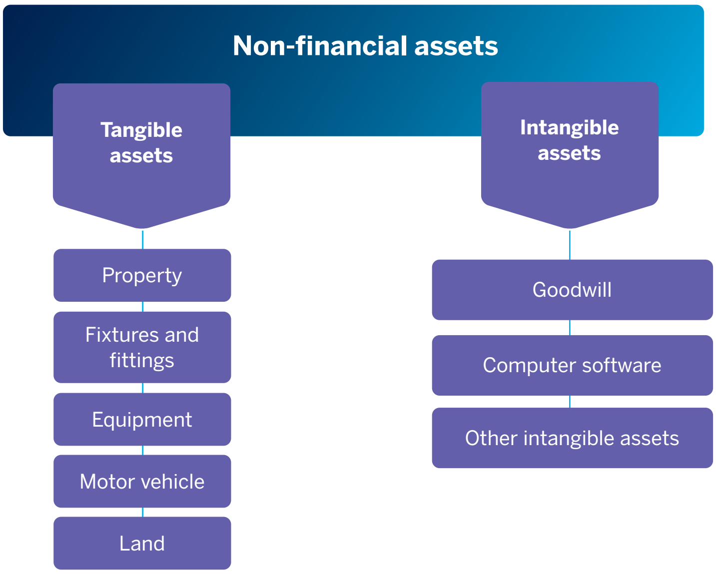
In addition to the measurement of impairment losses on loans and advances in accordance with the International Financial Reporting Standards (IFRS) as set out above, the Bank is required by the Financial Institutions Act (FIA) 2004, as amended to establish minimum provisions for losses on loans and advances 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 Bank 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.

(c) Non- financial assets



Type and initial and subsequent measurement

Tangible assets (property, equipment, land and right-of-use assets)

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 Bank 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.

Useful lives, depreciation/ amortisation method or fair value basis

Depreciation is recognised in profit or loss on 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 com-puters	4 years
Office equip-ment	8 years

The residual values, useful lives and the depreciation method applied are reviewed,

and adjusted if appropriate, at each financial year end.

Impairment

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 only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Type and initial and subsequent measurement	Useful lives, depreciation/ amortisation method or fair value basis	Impairment
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	Not applicable.	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 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 Bank are recognised as intangible assets when the following criteria are met: • It is technically feasible to complete the software product so that it will be available for use. • management intends to complete the software product and use or sell it. • there is 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.	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.
Derecognition Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.		

(d) 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.

(e) Equity-linked transactions

The Bank operates equity-based compensation plans comprised of equity settled and cash settled schemes as follows:

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 Bank'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 is recognised in operating expenses (staff costs). The awards vest over the specified period of service and/or once the performance conditions are met.

*Further details of the bank equity compensation plans are disclosed in **note 37**.*

(f) Employee benefits

i) Retirement benefit obligations

The Bank operates a defined contribution pension scheme for its employees. The defined contribution plan is a pension plan under which the Bank 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 Bank contributes to the scheme in line with the requirements of the National Social Security Fund Act. The regular contributions by the Bank and employees constitute net periodic costs for the year in which they are due and as such are included in employee benefit expenses. The Bank'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 Bank 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 Bank 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 Bank 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) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(g) Accounting for leases

TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	INCOME STATEMENT
Lessee Accounting policies		
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.	**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 Bank) this is not readily determinable, in which case the Bank's incremental borrowing rate on commencement of the lease is used. The Bank's standardized 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 favor of the Bank, 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 Bank is contractually required to dismantle, remove or restore the leased asset. The Bank applies the cost model subsequent to the initial measurement of the right-of-use assets. **Termination of leases:** When the Bank or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognized.	**Interest expense on lease liabilities:** A lease finance cost, determined with reference to the interest rate implicit in the lease or the Bank'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 Bank 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 amortization. **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.

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 straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expenses on expense are recognised a straight-line basis over the term of the lease.	Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on 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 Bank 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 Bank 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 Bank accounts for these modification as a separate new lease. This accounting treatment equally applies to leases which the Bank elected the short-term lease exemption and the lease term is subsequently modified.	

Lessor lease modifications	
Finance leases	When the Bank 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 Bank 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.

(h) Sale and repurchase agreements

Sale and repurchase agreements and lending of securities

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.

(i) Provisions, contingent assets and contingent liabilities

Provisions

Provisions are recognised when the Bank 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.

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 Bank, 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 Bank'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.

(j) Equity

The Bank 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.

Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.

Dividends on ordinary shares

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are reported as a component of equity at the year end.

Earnings per share

The Bank 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 Bank 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.

(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 Bank 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 relates to interest on financial assets and financial liabilities measured at amortised cost and financial assets at FVOCI.

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 Bank 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 amortised 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) Other gains/losses on financial instruments

Includes:

- air value gains and losses on financial assets that are classified at fair value through profit or loss (designated and default)
- The gain or loss on the derecognition of a debt financial asset classified as at fair value through OCI
- Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost
- Gains and losses arising from the reclassification of a financial asset from amortised cost to fair value
- Gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability as at amortised cost
- Fair value gains and losses on designated financial liabilities
- Fair value gains and losses on private equity or venture capital investment designated at fair value through profit or loss.

(n) Other revenue

Other revenue comprises of revenue that is not included in any of the categories mentioned above. This could include dividends on equity financial assets, underwriting profit from the Bank's short-term insurance operations and related insurance activities and re-measurement gains and losses from contingent consideration on disposals and purchases.

(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 affects neither 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.

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 Bank and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Bank is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the Bank 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) Segment reporting

An operating segment is a distinguishable component of the Bank 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 Bank's primary business segmentation is based on the Bank's internal reporting about components of the Bank 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 Bank operates in a single geographical segment, Uganda.

(q) Non-trading and capital related items

Non-trading and capital related items primarily include the following:

- Gains and losses on disposal of subsidiaries, joint ventures and associates (including foreign exchange translation gains and losses)
- Gains and losses on the disposal of property and equipment and intangible assets
- Impairment and reversals of impairments of joint ventures and associates
- Impairment of investments in subsidiaries, property and equipment, and intangible assets
- Other items of a capital related nature.

2.2 New standards and interpretations not yet adopted by the Bank

The following new, and amendments are not yet effective for the year ended 31 December 2022 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 Bank's financial statements.

IAS 1 Presentation of Financial Statements (amendments)
Effective date: 1 January 2024

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. Pending the finalisation of the exposure draft on ED/2021/9 – Non-Current Liabilities with Covenants: Proposed Amendments to IAS 1, the effective date of all IAS 1 amendments will be deferred to 1 January 2024. The impact on the annual financial statements has not yet been fully determined, however not expected to have a significant impact on the Bank.

IFRS 16 Leases (narrow scope amendments)
Effective date: 1 January 2024

The amendments add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. IFRS 16 had not previously specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in IFRS 16, thereby supporting the consistent application of the standard. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction. The amendments will be applied retrospectively and are not expected to have a material impact on the Bank's financial statements.

3. Financial Risk Management

(a) Strategy in using financial instruments

By their nature, the Bank's activities are principally related to the use of financial instruments including derivatives. The Bank 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 Bank 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 Bank'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 Bank 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 Bank'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 Bank 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 Bank also enters into guarantees and other commitments such as letters of credit and performance, and other bonds. The Bank 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 Bank'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 for Financial Institutions that are enshrined in the Financial Institutions Act 2004 as amended including the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Bank monitors the adequacy of its capital using capital adequacy ratios established under the Financial Institutions Act, 2004 as amended, which ratios are broadly in line with those for the Bank for International Settlements (BIS). These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, off- balance- sheet commitments at weighted amounts to reflect their relative risk.

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 Bank 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 Bank's eligible long-term loans, and general provisions. Tier 2 capital is limited to 50% of Tier 1 capital.

b (i) The table below summarizes a composition of regulatory capital

	2022 UShs' 000	2021 UShs' 000
Core capital (Tier 1)		
Shareholders' equity	153,566,009	51,188,670
Share premium	725,964,739	829,879,881
Retained earnings	645,264,788	529,229,421
Less: Deductions determined by Bank of Uganda	(156,714,065)	(134,957,779)
Total core capital	**1,368,081,471**	1,275,340,193
Supplementary capital (Tier 2)		
Unencumbered general provisions for losses	61,950,720	57,445,269
Subordinated term debt	75,931,416	71,753,914
Total supplementary capital	**137,882,136**	129,199,183
Total capital (core and supplementary)	**1,505,963,607**	1,404,539,376

b(ii) Breakdown of deductions determined by the Financial Institutions Act 2004, as amended.

	2022 UShs' 000	2021 UShs' 000
Goodwill and other intangible assets	67,131,149	82,293,413
Unrealised gains on government securities and derivatives	50,168,597	10,285,907
Deferred tax asset	39,414,319	42,378,459
	156,714,065	134,957,779

b(iii) The table below summarises the risk weighted asset

	Risk Weight			Risk weighted balance	
		2022 UShs' 000	2021 UShs' 000	2022 UShs' 000	2021 UShs' 000
Statement of financial position					
Cash and balances with Bank of Uganda	0%	1,086,437,141	985,199,682	-	-
Financial investments	0%	1,240,197,346	844,166,562	-	-
Other financial investments	100%	176,548	178,468	176,548	178,468
Trading assets	0%	1,598,475,974	1,057,416,156	-	-
Pledged assets	0%	5,504,897	3,840,314	-	-
Placements with local banks	20%	67,913,571	109,489,724	13,582,713	21,897,944
Repurchase loan agreement	0%	-	150,030,812	-	-
Placements with foreign banks	Note b(iv)	221,110,729	846,732,827	129,568,525	431,632,741
Amounts due from group companies	100%	227,657,014	401,305,727	227,657,014	401,305,727
Loans and advances to customers-regulatory basis	100%	4,202,777,813	3,824,590,968	3,751,697,451	3,319,457,223
Other assets	100%	320,952,876	371,122,899	288,317,216	371,122,899
Deferred tax asset	0%	39,414,319	42,378,459	-	-
Goodwill	0%	1,901,592	1,901,592	-	-
Other intangible assets	0%	65,229,557	80,391,821	-	-
Property, equipment and right-of-use asset	100%	73,348,387	76,166,502	73,348,387	76,166,502
		9,151,097,764	8,794,912,513	**4,484,347,854**	4,621,761,504
Off-balance sheet items					
Contingencies secured by cash collateral	0%	63,938,451	56,377,886	-	-
Guarantees and acceptances	100%	26,479,351	6,780,070	26,479,351	6,780,070
Performance bonds	50%	1,752,645,670	1,662,109,349	876,322,835	831,054,675
Trade related and self-liquidating credits	20%	149,230,748	194,668,616	29,846,150	38,933,723
Other commitments	50%	1,536,881,106	1,237,793,640	768,440,553	618,896,820
		3,529,175,326	3,157,729,561	**1,701,088,889**	1,495,665,288
Counterparty Risk				16,784,752	31,595,951
Market Risk				222,782,330	266,416,380
Total risk weighted assets				**6,425,003,825**	6,415,439,123

As guided by Bank of Uganda regulation on capital, some items have been reclassified to align to the risk weighting provided.

b(iv) Risk weights applied to placements with foreign banks

Category	Risk Weight	Financial position nominal balance		Risk weighted balance	
		2022	2021	2022	2021
		UShs' 000	UShs' 000	UShs' 000	UShs' 000
Rated AAA to AA (-)	20%	-	-	-	-
Rated A (+) to A (-)	50%	183,084,835	830,200,172	91,542,204	415,100,086
Non-rated	100%	38,025,894	16,532,655	38,026,321	16,532,655
	Total	**221,110,729**	846,732,827	**129,568,525**	431,632,741

b (v) Tier 1 and Tier 2 capital

	Capital		Bank ratio		FIA minimum ratio	
	2022	2021	2022	2021	2022	2021
	UShs' 000	UShs' 000	%	UShs 000	%	%
Tier 1 capital	1,368,081,471	1,275,340,193	21.3%	19.9%	10%	10%
Tier 1 + Tier 2 capital	**1,505,963,607**	1,404,539,376	23.4%	21.9%	12%	12%

b (vi) Leverage Ratio

	2022	2021
	UShs' 000	UShs' 000
Core Capital	1,368,081,471	1,275,340,193
Total Assets	9,033,320,976	8,713,652,526
Letters of credit	170,460,826	223,703,640
Guarantees	1,821,833,394	1,696,232,281
Commitments to extend credit	1,536,881,106	1,237,793,640
	3,529,175,326	3,157,729,561
Total assets and off-balance sheet	12,562,496,302	11,871,382,087
Leverage Ratio	**10.9%**	10.7%

The Bank's capital constitutes Tier 1 and Tier 2 capital. 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 fair value through other comprehensive income reserve gains. Tier 2 capital includes the Bank's eligible long-term loans, and general provisions. Tier 2 capital is limited to 50% of Tier 1 capital.

The Financial Institutions (Capital Buffers and Leverage Ratio) Regulations, 2020 introduced 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 core capital and total capital ratios.

The regulations also introduced a minimum leverage ratio of 6%. This is calculated as the core capital divided by the total balance sheet plus off-balance sheet exposure.

Of the total risk adjusted assets plus risk adjusted items off the statement of financial position, the Bank is always required to maintain a core capital (tier 1) of not less than 10%, a total capital (tier 1 + tier 2) of not less than 12%, a Capital Conservation buffer of 2.5%, a prescribed Systemic Risk Buffer for domestic systemically important banks of 1%. As of 31 December 2022, the bank's capital adequacy ratio of 21.3% and 23.4% for core capital and total capital respectively as well as the leverage ratio at 10.9% is within the regulatory requirements.

In the computation of capital ratios, statement of financial position assets are weighted according to the Standardized Approach supported by external credit risk ratings. In this approach, the Bank applies prescribed risk-weights to both on-balance sheet and off-balance sheet exposures. Loans and advances to customers are stated net of provisions as determined in accordance with the Financial Institutions Act, 2004 as amended. These are risk weighted at 100% except for sovereign which are risk weighted at zero and loans with cash collateral which are risk weighted at zero.

The Bank holds loans and advances for which it is required to write-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.

Loans and advances to customers include a loan to Government of Uganda totaling to UShs 448,897 million (2021: UShs 503,289 million) risk weighted at zero.

In 2022, Bank of Uganda issued The Financial Institutions (Revision of Minimum Capital Requirements) Instrument 2022 which increased the minimum paid-up capital requirement for banks from UShs 25 billion to UShs 150 billion. Compliance was to be phased with UShs 120 billion to be met by 31 December 2022 and the total UShs.150 billion to be fully met by 30 June 2024. As of 31 December 2022, the Bank was compliant with this requirement with a holding of UShs 154 billion.

Off-balance sheet credit related commitments and forwards are considered by applying different categories of credit conversion factors, designed to convert these items into statement of financial position equivalents.

The risk weight for local banks is 20% and for balances with Bank of Uganda is 0%.

Foreign banks are rated based off the risk ratings from international rating agencies. These are categorized as below;

Category	Risk Weight
Rated AAA to AA (-)	20%
Rated A (+) to A (-)	50%
Rated A (-) to non-rated	100%

b(vii) Loans and advances to customers for regulatory capital purposes

	2022 UShs'000	2021 UShs'000
Gross loan and advances	4,282,890,004	3,924,266,315
Loans and advances to other financial institutions	5,130,137	-
Specific provisions (regulatory)	(72,120,658)	(85,984,754)
Interest in suspense (regulatory)	(13,121,670)	(13,690,593)
	4,202,777,813	**3,824,590,968**
Less		
Loan to Government of Uganda	(448,897,246)	(503,289,483)
Loans secured by cash cover	(2,183,116)	(1,844,262)
Risk weighted balance on loans to customers	**3,751,697,451**	3,319,457,223

b(viii) Reconciliation of loans and advances to customers between IFRS and FIA

	2022 UShs'000	2021 UShs'000
Gross loans and advances (IFRS purposes)	4,238,654,344	3,896,645,056
Written off facilities according to FIA, 2004 as amended	-	(12,775,429)
Loans and advances to other financial institutions	(5,130,137)	-
Staff loans fair value adjustment	32,017,845	21,389,258
Modification	6,061,732	6,747,966
Effective interest rate adjustment	11,286,220	12,259,464
Gross loans and advances for regulatory purposes	**4,282,890,004**	3,924,266,315

The Bank 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.

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 Bank'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 Bank's three lines of defense framework. The business functions own the credit risk assumed by the Bank and as the first line of defense they are primarily responsible for its management, control, and optimisation in the course of business generation.

The credit function acts as the second line of defense 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 Bank risk function through independent credit risk assurance.

The third line of defense is provided by the Bank's internal audit, under its mandate from the Bank audit committee.

- 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 Bank, 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 Bank'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 Bank'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 Bank will attempt to mitigate credit risk, including counterparty credit risk 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 Bank has an unassailable legal title, the Bank'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 Bank 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 Bank 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 Bank firstly, has a legally enforceable right to offset credit risk by way of such an agreement, and secondly, where the Bank 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 then measurement and mitigation of credit exposure and increasing oversight and approval levels.

The Bank 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 Bank 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

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 Bank's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the Bank's master rating scale. Exposures that are not within 1 to 25 are considered to be in default.

Default

The Bank'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 Bank'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 Bank has not rebutted 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 Banks 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 Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Bank would not otherwise consider.

Collateral

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

- Mortgages over residential properties
- Charges over 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 Bank will 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 Bank maintains strict control limits on net open derivative positions (i.e., 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 Bank (i.e., 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 Bank requires margin deposits from counterparties, 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 Bank'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 Bank 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 Bank on behalf of a customer authorising a third party to draw drafts on the Bank 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 Bank is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

ECL coverage

	2022		2021	
	Loans and advances %	Coverage ratio	Loans and advances %	Coverage ratio
Stage 1	91.3	0.6	90.5	0.7
Stage 2	6.0	17.9	6.0	12.6
Stage 3	2.7	67.0	3.5	58.3
	100.0		**100.0**	

The following table provides information regarding credit risk exposures relating to assets included on the statement of financial position:

	2022 UShs'000	2021 UShs'000
Bank of Uganda	593,119,817	552,252,953
Loans and advances to banks	522,785,222	1,506,230,304
Financial investments		
Treasury bonds -FVOCI	744,038,418	506,340,724
Treasury bonds -Amortised cost	90,334,380	-
Treasury bills - FVOCI	405,782,022	337,825,838
Pledged assets	5,504,897	3,840,314
Loans and advances to customers		
Loans to individuals		
Overdrafts	80,896,547	65,754,097
Term loans	944,404,323	888,892,084
Mortgages	170,672,943	151,291,900
Loans to corporate entities		
Large corporate entities	1,987,383,767	1,783,666,706
Small and medium size entities	1,055,296,764	1,007,040,269
Trading assets		
Treasury bonds	1,135,079,089	848,381,748
Treasury bills	463,396,885	209,034,408
Derivative assets	111,325,016	129,164,041
Other assets and related party receivables.	203,566,478	264,545,555
	8,513,586,568	**8,254,260,941**

Credit risk exposure relating to assets not on the statement of financial position are as follows:

	2022 UShs'000	2021 UShs'000
Financial guarantees	1,821,833,394	1,696,232,281
Loan commitments and other credit related liabilities	1,536,881,106	1,237,793,640
	3,358,714,500	2,934,025,921
	11,872,301,068	**11,188,286,862**

The table below shows the collateral for the secured and unsecured loans as at 31 December

As at 31 December 2022						Collateral coverage	
	Customer loans	Netting off agreements	Exposure after netting off	0-50%	51-100%	Over 100%	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Secured loans	1,486,032,684	2,183,116	1,483,849,568	126,511,513	343,435,537	1,013,902,518	1,483,849,568
Unsecured loans	2,752,621,660	-	2,752,621,660	-	-	-	-
	4,238,654,344	**2,183,116**	**4,236,471,228**	**126,511,513**	**343,435,537**	**1,013,902, 518**	**1,483,849,568**

As at 31 December 2021						Collateral coverage	
	Customer loans	Netting off agreements	Exposure after netting off	0-50%	51-100%	Over 100%	Total
	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

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

- 91.3% and 6.0% of the loans and advances portfolio is categorised in stage 1 and stage 2 respectively (2021: 90.5% stage 1 and 6.0% stage 2)
- Mortgage loans, are backed by collateral.
- All debt securities held by the Bank are issued by the Bank of Uganda on behalf of the Government of Uganda.

Loans and advances are summarized as follows:

		2022		2021
	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	3,842,384,518	296,078,320	3,420,015,119	1,106,253,364
stage 2	275,573,177	-	299,475,954	-
Stage 3	120,696,649	-	177,153,983	-
Gross loans and advances	4,238,654,344	296,078,320	3,896,645,056	1,106,253,364
Allowances for impairment	(149,834,704)	(33,803)	(169,372,214)	(131,348)
Interest in suspense	(3,818,615)	-	(5,199,772)	-
	4,085,001,025	**296,044,517**	3,722,073,070	1,106,122,016

The allowance for impairment are summarized per segment as follows:

	31 December 2022		31 December 2021	
	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
BCC and CHNW				
Mortgage lending	(45,784,188)	-	(27,733,788)	-
Instalment sales and finance Leases	(11,202,974)	-	(12,331,322)	-
Card debtors	(708,061)	-	(1,472,104)	-
Other loans and advances	(87,516,350)	-	(112,651,264)	-
Corporate and Investment Banking				
Corporate lending	(8,441,746)	(33,803)	(20,383,508)	(131,348)
	(153,653,319)	**(33,803)**	**(174,571,986)**	**(131,348)**

The total impairment provision for loans and advances is UShs 149,834 million (2021: UShs 169,372 million) of which UShs 77,002 million is stage 3 impairment (2021: UShs 98,066 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 Bank's master rating scale.

		SB 1-12	SB 13 - 20		SB 21 - 25	Default						
As at 31 December, 2022	**Total Gross Carrying Amounts USh's'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 expo- sures (%)**
Loans and advances at amortised cost												
BCC and CHNW												
Mortgage loans	**319,628,688**	-	287,204,165	-	17,157,289	15,267,234	**15,267,234**	**(19,106,880)**	(1,793,820)	7,050,777	34%	5%
Vehicle and asset finance	**112,367,297**	-	77,115,343	-	29,205,077	6,046,877	**6,046,877**	**3,148,206**	(238,881)	3,137,552	48%	5%
Card debtors	**4,796,328**	-	3,176,527	-	1,233,266	386,535	**386,535**	**196,135**	-	190,400	49%	8%
Other loans and advances	**1,790,273,286**	-	**1,463,385,254**	-	**227,892,029**	**98,996,003**	**98,996,003**	**55,637,772**	**5,851,316**	**66,624,072**	73%	6%
Personal unsecured lending	**1,016,558,975**	-	943,920,545	-	56,895,428	15,743,002	**15,743,002**	**40,834,715**	754,907	3,270,537	26%	2%
Business lending and other	**773,714,311**	-	519,464,709	-	170,996,601	83,253,001	**83,253,001**	**14,803,057**	5,096,409	63,353,535	82%	11%
CIB												
Corporate	**1,562,691,492**	312,535,337	1,250,070,639	85,516	-	-	-	**(2)**	-	2	0%	0%
Sovereign	**448,897,253**	-	448,897,253	-	-	-	-	-	-	-	-	-
Bank	**296,078,320**	198,926,925	97,151,395	-	-	-	-	-	-	-	-	-
Other service												
Gross carrying amount	**4,534,732,664**	**511,462,262**	**3,627,000,576**	**85,516**	**275,487,661**	**120,696,649**	**120,696,649**	**39,875,231**	**3,818,615**	**77,002,803**	**67%**	**3%**
Less: Interest in suspense	(3,818,615)	-	-	-	-	-	-	-	-	-	-	-
Less: Total expected credit losses for loans and advances	(149,868,507)	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount of loans and advances measured at amortised cost	4,381,045,542	511,462,262	3,627,000,576	85,516	275,487,661	120,696,649	120,696,649	39,875,231	3,818,615	77,002,803	67%	3%
Financial investments at fair value through OCI and amortised cost												
Sovereign	1,240,154,820	1,240,331,368	-	-	-	-	-	-	-	-	-	-
Swift	176,548	176,548	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	**1,240,331,368**	**1,240,331,368**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	(427,655)	(427,655)	-	-	-	-	-	-	-	-	-	-
Total financial investment at fair value through OCI	**1,239,903,713**	**1,239,903,713**										
Off-balance sheet exposures												
Letters of credit and banker's acceptances	170,460,826	4,903,327	155,916,331	8,525,931	1,115,237	-	-	-	-	-	-	-
Guarantees	1,821,833,394	1,172,723,977	642,965,138	12,000	6,132,279	-	-	-	-	-	-	-
Irrevocable unutilized facilities	1,536,881,106	1,478,229,571	58,124,551	-	526,984	-	-	-	-	-	-	-
Total exposure to off-balance sheet credit risk	**3,529,175,326**	**2,655,856,875**	**857,006,020**	**8,537,931**	**7,774,500**	-	**-**	**-**	**-**	**-**	**-**	**-**
Expected credit losses for off-balance sheet exposures	(2,606,114)	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount of off-balance sheet exposures	3,526,569,212	2,655,856,875	857,006,020	8,537,931	7,774,500	-	-	-	-	-	-	-
Total exposure to credit risk on financial assets subject to an expected credit loss	9,147,518,467	4,407,222,850	4,484,006,596	8,623,447	283,262,161	120,696,649	120,696,649	39,875,231	3,818,615	77,002,803	67%	1%
Add the following other banking activities exposures:												
Cash and balances with the central bank	1,086,437,141	-	-	-	-	-	-	-	-	-	-	-
Derivative assets	111,325,016	-	-	-	-	-	-	-	-	-	-	-
Trading assets	1,598,475,974	-	-	-		-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk	**11,943,580,050**	**4,407,222,850**	**4,484,006,596**	**8,623,447**	**283,262,161**	**120,696,649**	**120,696,649**	**39,875,231**	**3,818,615**	**77,002,803**	**67%**	**1%**

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. 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.

		SB 1-12	SB 13 - 20		SB 21 - 25	Default						
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**	**Securi-ties and expected recoveries on default exposures UShs'000**	**Interest in sus-pense on default exposures UShs'000**	**Balance sheet impairments for non-per-forming specifically impaired loans (Stage 3 and purchased or originated credit impaired) UShs'000**	**Gross specific im-pairment 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	24,292,046	24,292,046	(6,577,189)	231,643	30,637,592	127%	2%
Business lending and other	734,367,289	-	509,308,519	-	138,646,177	86,412,593	86,412,593	45,648,205	4,554,809	36,209,579	47%	12%
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	-	-	-	-	-	-	-	-	-	-
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	(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							-	-	-	-	-	-
Guarantees	223,703,640	182,909,968	39,399,451	1,110,293	70,087	213,841	-	-	-	-	-	-
Irrevocable unutilised facilities	1,696,232,281	1,452,806,223	240,350,304	46,327	-	3,029,427	-	-	-	-	-	-
Total exposure to off-balance sheet credit risk	1,237,793,640	1,190,556,091	46,813,120	-	424,429	-	-	-	-	-	-	-
Expected credit losses for off-balance sheet expo-sures	3,157,729,561	2,826,272,282	326,562,875	1,156,620	494,516	3,243,268	-	-	-	-	-	-
Net carrying amount of off-balance sheet exposures	(4,733,611)	-	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk on financial assets subject to an expected credit loss	3,152,995,950	2,826,272,282	326,562,875	1,156,620	494,516	3,243,268	-	-	-	-	-	-
Add the following other banking activities exposures:	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%
Cash and balances with the central bank												
Derivative assets	985,199,682	-	-	-	-	-	-	-	-	-	-	-
Trading assets	129,164,041	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	1,057,416,156	-	-	-	-	-	-	-	-	-	-	-
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%

The ECL on unutilised facilities is included in the ECL for loans and advances.

1 Balances with the central bank are classified as FVTPL. 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.

2 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 2022 is Nil (2021: nil). No collateral is held by the Bank against loans and advances to banks.

Other financial assets

There are no other financial assets in stage 3 (2021: nil). No collateral is held by the Bank 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 Bank's credit risk portfolio is well-diversified. The Bank's management approach relies on the reporting of concentration risk along key dimensions, the setting of portfolio limits and stress testing.

The following table breaks down the Bank'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

As at 31 December 2022	Sovereign UShs'000	Financial institutions UShs'000	Manufacturing UShs'000	Agriculture UShs'000	Transport UShs'000	Individuals UShs'000	Others UShs'000	Total UShs'000
Government securities - FVOCI (Note 17)	1,149,996,998	-	-	-	-	-	-	1,149,996,998
Government securities - amortised cost (Note 17)	90,334,380	-	-	-	-	-	-	90,334,380
Pledged assets (Note 17)	5,504,897	-	-	-	-	-	-	5,504,897
Loans and advances to banks (Note 18)	-	296,078,320	-	-	-	-	-	296,078,320
Loans and advances to customers (Note 19)	448,897,246	341,756,672	389,012,622	437,528,766	72,549,970	1,017,951,993	1,530,957,075	4,238,654,344
Financial assets designated at fair value through profit or loss:								
Trading assets (Note 17)	1,598,475,974	-	-	-	-	-	-	1,598,475,974
	3,293,209,485	**637,834,992**	**389,012,622**	**437,528,766**	**72,549,970**	**1,017,951,993**	**1,530,957,075**	**7,379,044,903**
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)	503,289,483	11,174,878	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
	2,408,712,515	1,117,428,242	434,917,119	467,064,325	83,119,851	945,591,847	1,451,487,553	6,908,321,452

(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 Bank 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 Bank's policy is that all trading activities are undertaken within the Bank's global markets' operations. The market risk functions are independent of the Bank'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 Bank's major measurement techniques used to measure and control market risk is Value at Risk and Pv01 (present value at one). The Bank 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 Bank. 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 Bank 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 Bank'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 group- wide VaR, is reviewed daily by the Bank'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

	Average USh's' millions	Maximum USh's' millions	Minimum USh's' millions	31 December 2022 USh's' millions
12 months to 31 December 2022				
Interest rate book - Trading	903,366	1,125,760	471,399	978,600
Interest rate book - FVOCI	1,041,929	1,548,889	560,809	1,528,412
Foreign exchange trading book VAR	661,661	1,997,373	165,538	169,363
12 months to 31 December 2021				
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

The shilling depreciated by 5% during the year owing to elevated dollar demand during the course of the year and the general global dollar strength following policy rate hikes to curb inflationary pressures by the United States of America. The shilling traded from 3545 per USD in December 2021 to a peak close to 3890 per USD before recovering to close the year at 3720 per USD.

The interest rate environment experienced volatile swings as inflationary pressures called for strong responses from Central Banks. Bank of Uganda raised the Central Bank rate (CBR) to 10% by year-end from 6.5% earlier in the year. This filtered through to yields on government securities with the shorter end of the curve (Overnight-1-year) rising by an average of 388 basis points (bps) while the longer end of the curve (2-20-year) rose by an average 100 bps. Towards the end of the year, rates adjusted significantly lower on account of improved liquidity and inflation forecasts highlighting reduced price pressures into 2023.

Average normal Value at Risk Utilisation for the year on the Interest Rate Trading desk was UShs 903 million representing an increase over 2021 (UShs 690 million) due to increase in T-bill and Bond investments especially at the long end of the bond curve. On the Forex Trading book, average normal Value at Risk utilisation was UShs 662 million which was more than UShs 421 million registered in 2021 on back of an increase in Client flows during the year.

Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The 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 Bank has the following significant foreign currency exposure positions (all amounts in millions of Uganda Shillings)

As at 31 December 2022	USD UShs'm	Euro UShs'm	Other UShs'm	Total UShs'm
Assets				
Cash and balances with Bank of Uganda	140,666	15,115	9,434	165,215
Loans and advances to banks	192,725	30,887	19,504	243,116
Amounts due from group companies	310,042	1	5,713	315,756
Loans and advances to customers	1,003,535	513,328	623	1,517,486
Derivative assets	-	-	-	-
Other assets	6,901	290	27	7,218
Total Assets	1,653,869	559,621	35,301	2,248,791
Liabilities:				
Customer deposits	2,259,409	195,424	23,301	2,478,134
Amounts due to banks	233,541	15,760	902	250,203
Amounts due to group companies	14,683	179,046	225	193,954
Derivative liabilities	30,397	-	-	30,397
Subordinated bonds/debt	75,931	-	-	75,931
Other liabilities	207,002	10,117	1,427	218,546
Total Liabilities	2,820,963	400,347	25,855	3,247,165
Net statement of financial position	(1,167,094)	159,274	9,446	(998,374)
Net currency forwards	(444,381)	-	-	(444,381)
Commitments to extend credit	(886,186)	-	-	(886,186)
Net foreign currency exposure	(2,497,661)	159,274	9,446	(2,328,941)
As at 31 December 2021				
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 statement of financial position	(592,590)	81,158	6,569	(504,863
Net currency forwards	(169,969)	-	-	(169,969)
Commitments to extend credit	(686,332)	-	-	(686,332)
Net foreign currency exposure	(1,448,891)	81,158	6,569	(1,361,164)

Foreign currency risk sensitivity UShs equivalent

		USD 2022	USD 2021	EUR 2022	EUR 2021
Total net long/(short) position	millions	(2,497,661)	(1,448,891)	159,274	81,158
Sensitivity (UShs depreciation)	%	10	10	10	10
Impact on profit or loss and equity	millions	10,107	8,625	4.021	2.092

Interest rate risk

The Bank 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 Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Bank does not bear interest rate risk on items not on the statement of financial position.

	Up to 1 month UShs'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 2022						
Asset:						
Cash and balances with Bank of Uganda	-	-	-	-	1,086,437	1,086,437
Government securities FVOCI	64,795	190,096	373,994	521,112	-	1,149,997
Government securities -amortised cost	-	-	-	90,334	-	90,334
Pledged assets	-	5,505	-	-	-	5,505
Government securities FVTPL	15,847	712,026	599,106	271,497	-	1,598,476
Deposits and balances due from other banks	296,045	-	-	-	-	296,045
Amounts due from group companies	227,657	-	-	-	-	227,657
Loans and advances to customers	851,529	656,763	558,691	2,018,018	-	4,085,001
Derivative assets	-	-	-	-	111,325	111,325
Other assets	-	-	-	-	382,543	382,543
Total assets	**1,455,873**	**1,564,390**	**1,531,791**	**2,900,961**	**1,580,305**	**9,033,320**
Liabilities and shareholders' funds:						
Customer deposits	5,847,483	187,272	72,921	23,580	-	6,131,256
Deposits due to other banks	142,093				-	142,093
Borrowed funds	12,229	12,500	164	12,432	-	37,325
Amounts due to group companies	258,931		-	-	-	258,931
Derivative liabilities	-	-	-	-	149,082	149,082
Other liabilities	-	-	-	-	485,611	485,611
Current tax liabilities	-	-	-	-	23,166	23,166
Subordinated debt	-	-	-	75,931	-	75,931
Total liabilities	**6,260,736**	**199,772**	**73,085**	**111,943**	**657,859**	**7,303,395**
Shareholders' equity	**-**	**-**	**-**	**-**	**1,729,925**	**1,729,925**
Total interest repricing gap	**(4,804,863)**	**1,364,618**	**1,458,706**	**2,789,018**	**(807,479)**	**-**
At 31 December 2021						
Asset:						
Cash and balances with Bank of Uganda	-	-	-	-	985,200	985,200
Government securities FVOCI	-	181,093	234,396	428,856	-	844,345
Pledged assets	-	-	-	3,840	-	3,840
Government securities FVTPL	10,953	385,765	122,773	537,925	-	1,057,416
Deposits and balances due from other banks	1,106,122	-	-	-	-	1,106,122
Amounts due from group companies	401,306	-	-	-	-	401,306
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	-	-	-	-	464,186	464,186
Total assets	2,371,631	1,219,836	787,095	2,756,540	1,578,550	8,713,652
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	313,775	-	-	-	-	313,775
Derivative liabilities		-	-	-	205,062	205,062
Other liabilities	-	-	-	-	563,082	563,082
Current tax liabilities	-	-	-	-	15,329	15,329
Subordinated debt	-	-	-	71,754	-	71,754
Total liabilities	6,054,237	151,098	129,229	112,279	783,473	7,230,316
Shareholders' equity	-	-	-	-	1,483,336	1,483,336
Total interest repricing gap	(3,682,606)	1,068,738	657,866	2,644,261	(688,259)	-

The Bank's Assets and Liabilities Committee monitors the sensitivity of net interest income to changes in interest rates. The sensitivity of net interest income to changes in interest rates for LCY (UShs) is as follows:

	31 December 2022		31 December 2021	
	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	15,640,284	2.7%	21,442,170	4.8%
100bps decrease in interest rates	(17,737,615)	(3.0%)	(21,405,070)	(4.8%)
Net interest income sensitivity in for FCY(USD) is as follows;				
100bps Increase in interest rates	4,595,659	11.9%	6,828,270	35.5%
100bps decrease in interest rates	(5,632,187)	(14.6%)	(315,807)	(1.6%)

3 (e) Liquidity risk

Definition

Liquidity risk is the risk that the Bank 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 Bank is exposed to daily call on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash re- sources 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 Bank's liquidity management process, as carried out within the Bank 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.
- The assets and liability management (ALM) team within 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.

	2022 UShs' 000	2021 UShs' 000
Liquid assets to deposit ratio		
Total deposits	6,131,256,477	5,741,043,166
Total liquid assets held	3,203,409,322	3,369,790,111
Liquidity ratio	52.2%	58.7%
Regulatory requirement	20%	20%

3 (e) (i) The table that follows presents the undiscounted cash flows payable by the Bank 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 2022	Carrying Amount USh's' m	Gross nominal 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	(6,131,256)	(6,146,238)	(5,858,387)	(182,099)	(75,091)	(30,661)	-
Deposits from other banks	(142,093)	(142,093)	(142,093)	-	-	-	-
Amounts due to group companies	(258,931)	(296,903)	(74,692)	(504)	-	(5,003)	(216,704)
Derivative liabilities	(149,082)	(149,082)	(341)	(3,945)	(5,175)	(85,574)	(54,047)
Borrowed funds	(37,325)	(38,121)	(12,229)	(12,500)	(164)	(12,009)	(1,219)
Subordinated debt	(75,931)	(134,363)	-	(3,540)	(3,540)	(28,324)	(98,959)
Other liabilities	(508,777)	(484,127)	(450,663)	(400)	(1,240)	(24,969)	(6,855)
Total financial liabilities (contractual maturity dates)	**(7,303,395)**	**(7,390,927)**	**(6,538,405)**	**(202,988)**	**(85,210)**	**(186,540)**	**(377,784)**
Assets							
Cash and bank balances with Bank of Uganda	1,086,437	1,086,437	1,086,437	-	-	-	-
Government securities-FVOCI	1,149,997	1,454,021	65,000	198,878	406,849	646,361	136,933
Government securities -amortised cost	90,334	130,833	-	-	-	-	-
Pledged assets	5,505	5,580	-	5,580	-	62,366	68,467
Government securities- FVTPL	1,598,476	1,716,509	15,939	720,778	643,688	283,882	52,222
Loans and advances to banks	296,045	293,647	293,647	-	-	-	-
Amounts due from group companies	227,657	227,701	41,741	185,960	-	-	-
Loans and advances to customers	4,085,001	5,736,548	715,877	319,754	319,264	3,337,282	1,044,371
Derivative assets	111,325	111,325	2,012	5,518	7,863	41,885	54,047
Other assets	164,202	164,202	164,202	-	-	-	-
Total financial assets (expected maturity dates)	**8,814,979**	**10,926,803**	**2,384,855**	**1,436,468**	**1,377,664**	**4,371,776**	**1,356,040**
Liquidity gap	**1,511,584**	**3,535,876**	**4,153,550**	**1,233,480**	**1,292,454**	**4,185,236**	**978,256**
Cumulative Liquidity Gap	**1,511,584**	**3,535,876**	**4,153,550**	**(2,920,070)**	**(1,627,616)**	**2,557,620**	**3,535,876**
Off-Balance Sheet							
Guarantees	(1,821,833)	(1,821,833)	(153,212)	(641,051)	(326,419)	(701,151)	-
Letters of credit	(170,461)	(170 461)	(48 239)	(35 921)	(929)	(85,372)	-
Commitments to extend credit	(1,536,881)	(1,536,881)	(1,536,881)	-	-	-	-
Total Off-Balance Sheet	**(3,529,175)**	**(3,529,175)**	**(1,738,332)**	**(676,972)**	**(327,348)**	**(786,523)**	**-**
Liquidity gap	**(2,017,591)**	**6,701**	**(5,891,882)**	**556,508**	**965,106**	**3,398,713**	**978,256**
Cumulative Liquidity Gap		**6,701**	**(5,891,882)**	**(5,335,374)**	**(4,370,268)**	**971,555**	**6,701**
At 31 December 2021							
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	(313,775)	(331,605)	(106,928)	(504)	-	(5,003)	(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	(578,411)	(607,156)	(576,326)	(309)	(1,554)	(28,952)	(15)
Total financial liabilities (contractual maturity dates)	(7,230,316)	(7,314,260)	(6,434,449)	(161,974)	(142,171)	(200,021)	(375,645)

2021	Carrying Amount UShs' m	Gross nominal 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
Assets							
Cash and bank balances with Bank of Uganda	985,200	985,200	985,200	-	-	-	-
Government securities-FVOCI	844,345	985,794	-	194,887	252,339	501,455	37,113
Pledged assets	3,840	3,936	-	3,936	-	-	-
Government securities- FVTPL	1,057,416	1,155,095	10,970	396,435	130,837	587,722	29,131
Loans and advances to banks	1,106,122	1,086,973	1,086,973	-	-	-	-
Amounts due from group companies	401,306	402,055	71,775	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	237,926	237,926	237,926	-	-	-	-
Total financial assets (expected maturity dates)	8,487,392	10,707,347	3,025,939	1,742,420	673,570	3,257,357	2,008,061
Liquidity gap	1,257,076	3,393,087	(3,408,510)	1,580,446	531,399	3,057,336	1,632,416
Cumulative Liquidity Gap	1,257,076	3,393,087	(3,408,510)	(1,828,064)	(1,296,665)	1,760,671	3,393,087
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	(1,900,654)	6,550,817	(1,978,704)	2,209,677	1,010,665	3,676,763	1,632,416
Cumulative Liquidity Gap		6,550,817	(1,978,704)	230,973	1,241,638	4,918,401	6,550,817

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 Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

3(e) (ii) Maturity analysis

The Bank assesses the maturity of financial assets and financial liabilities at 31 December each year which provides an indication of the remaining contractual life of these assets at that point in time. For the maturity analysis of financial liabilities on a contractual undiscounted basis, refer to note 3(e) (i) above.

For year ended 31 December 2022	Up to 1 month Ushs'm	1 - 6 months Ushs'm	6 - 12 months Ushs'm	Over 1 year Ushs'm	Total Ushs'm
Asset:					
Cash and balances with Bank of Uganda	1,086,437	-	-	-	1,086,437
Government securities -FVOCI	64,795	190,096	373,994	521,112	1,149,997
Government securities -amortised cost				90,334	90,334
Pledged assets	-	5,505	-	-	5,505
Government securities - FVTPL	15,847	712,026	599,106	271,497	1,598,476
Deposits and balances due from other banks	296,045	-	-	-	296,045
Amounts due from group companies	227,657	-	-	-	227,657
Loans and advances to customers	851,529	656,763	558,691	2,018,018	4,085,001
Derivative assets	15,497	41,782	54,046	-	111,325
Deferred income tax assets	-	-	-	39,414	39,414
Other assets	202,650	-	-	-	202,650
Intangible asset	-	-	-	67,131	67,131
Property and equipment	-	-	-	73,348	73,348
Total assets	**2,557,807**	**1,606,172**	**1,585,837**	**2,900,961**	**8,650,777**
Liabilities:					
Customer deposits	5,847,483	187,272	72,921	23,580	6,131,256
Deposits due to other banks	142,093		-	-	142,093
Borrowed funds	12,229	12,500	164	12,432	37,325
Amounts due to group companies	258,931	-	-	-	258,931
Derivative liabilities	149,082	-	-	-	149,082
Other liabilities	485,611	-	-	-	485,611
Subordinated bonds / debt	-	-	-	75,931	75,931
Current Tax Liabilities	23,166	-	-	-	23,166
Total liabilities	**6,918,595**	**199,772**	**73,085**	**111,943**	**7,303,395**
Net liquidity gap	**(4,360,788)**	**1,406,400**	**1,512,752**	**2,789,018**	**1,347,382**
Cumulative liquidity gap	**(4,360,788)**	**(2,954,388)**	**(1,441,636)**	**1,347,382**	**-**
Off-Balance Sheet					
Guarantees	153,212	641,051	326,419	701,151	1,821,833
LCs	48,239	35,921	929	85,372	170,461
Commitments to extend credit	1,536,881	-	-	-	1,536,881
Total Off balance sheet	**1,738,332**	**676,972**	**327,348**	**786,523**	**3,529,175**
Net Liquidity gap	**(6,099,120)**	**(3,631,360)**	**(1,768,984)**	**560,859**	**(10,938,605)**
Net Cumulative liquidity gap	**(6,099,120)**	**(9,730,480)**	**(11,499,464)**	**(10,938,605)**	**-**
For year ended 31 December 2021					
Total assets (expected maturity dates)	3,385,883	1,250,010	857,034	2,756,540	82,494,67
Total liabilities (Contractual maturity dates)	6,837,710	151,098	129,229	112,279	7,230,316
Liquidity gap	(3,451,827)	1,098,912	727,805	2,644,261	1,019,151
Cumulative liquidity gap	(3,451,827)	(2,352,915)	(1,625,110)	101,9151	-
Total Off balance sheet	1,429,806	629,231	479,266	619,427	3,157,730
Net Liquidity gap	(4,881,633)	(2,982,146)	(2,104,376)	399,724	(9,568,431)
Net Cumulative liquidity gap	(4,881,633)	(7,863,779)	(9,968,155)	(9,568,431)	-

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

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

3(f) Off balance sheet

(i) Loan commitments

The dates of the contractual amounts of the Bank'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.

	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 2022				
Letters of credit	85,088,703	85,372,123	-	170,460,826
Guarantees	1,120,682,012	701,151,382	-	1,821,833,394
Commitments to extend credit	1,536,881,106	-	-	1,536,881,106
As at 31 December 2021	**2,742,651,821**	**786,523,505**	**-**	**3,529,175,326**
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

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 Bank's statement of financial position at their fair value.

	Carrying Value		Fair Value	
	2022 UShs'000	2021 UShs'000	2022 UShs'000	2021 UShs'000
Financial assets				
Cash and balances with Bank of Uganda	1,086,437,141	985,199,682	1,086,437,141	985,199,682
Loans and advances to banks	296,044,517	1,106,122,016	296,044,517	1,106,122,016
Amounts due from group companies	227,657,014	401,305,727	227,657,014	401,305,727
Loans and advances to customers	4,085,001,025	3,722,073,070	4,085,001,025	3,722,073,070
Other assets	202,650,169	2,778,671	202,650,169	2,778,671
Financial liabilities				
Customer deposits	6,131,256,477	5,741,043,166	6,131,256,477	5,741,043,166
Amounts due to other banks	142,092,860	155,075,114	142,092,860	155,075,114
Borrowed funds	37,324,647	165,196,485	37,324,647	165,196,485
Amounts due to group companies	258,931,209	313,774,950	258,931,209	313,774,950
Subordinated debt	75,931,416	71,753,914	75,931,416	71,753,914
Other liabilities	239,734,474	221,718,973	239,734,474	221,718,973

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 Bank 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 table below shows the classification of financial instruments held at fair value into the valuation hierarchy as at 31 December 2022 and 31 December 2021.

31 December 2022	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Coin and bank notes	493,317,324	-	-	493,317,324
Bank of Uganda cash reserving requirement	593,119,817	-	-	593 119 817
Derivative assets	-	111,325,016	-	111,325,016
Government securities - FVTPL	-	1,598,475,974	-	1,598,475,974
Pledged assets	-	5,504,897	-	5,504,897
Government securities - FVOCI	-	1,149,820,440	-	1,149,820,440
Other financial investments	-	-	176,548	176,548
Total assets	**1,086,437,141**	**2,865,126,327**	**176,548**	**3,951,740,016**
Financial liabilities	-	-	-	-
Derivative liabilities	-	149,082,358	-	149,082,358
Total liabilities	**-**	**149,082,358**		**149,082,358**

31 December 2021	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Coin and bank notes	432,946,729	-	-	432,946,729
Bank of Uganda cash reserving requirement	517,340,000	-	-	517,340,000
Derivative assets	-	129,164,041	-	129,164,041
Government securities - FVTPL	-	1,057,416,156	-	1,057,416,156
Pledged assets	-	3,840,314	-	3,840,314
Government securities - FVOCI	-	844,166,562	-	844,166,562
Other financial investments	-	-	178,468	178,468
Total assets	**950,286,729**	**2,034,587,073**	**178,468**	**2,985,052,270**
Financial liabilities	-	-	-	-
Derivative liabilities	-	205,061,504	-	205,061,504
Total liabilities	**-**	**205,061,504**		**205,061,504**

The balances with the central bank excluding cash reserving requirement were 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 2022 and 31 December 2021.

Other financial investments fair valued through profit or loss

	2022 UShs' 000	2021 UShs' 000
Opening balance	178,468	199,424
Losses recognised in profit or loss	(1,920)	(20,956)
Closing balance	176,548	178,468
Total losses for the period included in profit or loss under other gains/(losses)	**(1,920)**	**(20,956)**

The table below shows items not measured at fair value for which fair value is disclosed

31 December 2022	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Government securities - amortised cost	-	90,334,380	-	90,334,380
Loans and advances to banks	-	-	296,044,517	296,044,517
Amounts due from group companies	-	-	227,657,014	227,657,014
Loans and advances to customers	-	-	4,085,001,025	4,085,001,025
Other financial assets and related party receivables	-	-	202,650,169	202,650,169
Total assets	-	90,334,380	4,811,352,725	4,901,687,105
Financial liabilities				
Customer deposits	5,661,377,248	469,879,229	-	6,131,256,477
Amounts due to other banks	-	-	142,092,860	142,092,860
Borrowed funds	-	-	37,324,647	37,324,647
Subordinated debt	-	-	75,931,416	75,931,416
Amounts due to group companies	-	-	258,931,209	258,931,209
Other financial liabilities	-	-	239,734,474	239,734,474
Total liabilities	**5,661,377,248**	**469,879,229**	**754,014,606**	**6,885,271,083**

31 December 2021	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	-	-	401,305,727	401,305,727
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	-	5,232,279,484	5,267,192,437
Financial liabilities				
Customer deposits	5,550,416,605	190,626,561	-	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	-	-	313,774,950	313,774,950
Other financial liabilities	-	-	221,718,973	221,718,973
Total liabilities	**5,550,416,605**	**190,626,561**	**927,519,436**	**6,668,562,602**

3(i) Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The table below sets out the Bank's classification of financial assets and liabilities, and their fair values

	FVTPL		FVOCI				
	Held-for-trading	Default	Debt instruments	Equity instruments	Amortised cost	Other assets/ liabilities	Total carrying amount
2022	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**	**UShs' m**
Assets							
Cash and balances with central banks	-	1,086,436	-	-	-	-	1,086,436
Derivative assets	111,325	-	-	-	-	-	111,325
Financial investments	-	-	1,149,820	177	90,334	-	1,240,331
Trading assets	1,598,476	-	-	-	-	-	1,598,476
Pledged assets			5,505	-	-	-	5,505
Loans and advances to banks	-	-	-	-	296,045	-	296,045
Loans and advances to customers	-	-	-	-	4,085,001	-	4,085,001
Amounts due from group companies	-	-	-	-	227,658	-	227,658
Other financial assets and related party receivables	-	-	-	-	202,650	-	202,650
Other non-financial assets and related party receivables	-	-	-	-	-	179,894	179,894
	1,709,801	**1,086,436**	**1,155,325**	**177**	**4,901,688**	**179,894**	**9,033,321**
Liabilities							
Derivative liabilities	149,084	-	-	-	-	-	149,084
Deposits from banks	-	-	-	-	142,093	-	142,093
Deposits from customers	-	-	-	-	6,131,256	-	6,131,256
Subordinated debt	-	-	-	-	75,931	-	75,931
Amounts due to group companies	-	-	-	-	258,931	-	258,931
Borrowed funds	-	-	-	-	37,325	-	37,325
Other financial liabilities	-	-	-	-	239,734	-	239,734
Other non-financial liabilities	-	-	-	-		269,042	269,042
	149,084	**-**	**-**	**-**	**6,885,270**	**269,042**	**7,303,396**
2021							
Assets							
Cash and balances with central banks	-	950,287	-	-	34,913	-	985,200
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	-	-	-	-	401,307	-	401,307
Other financial assets and related party receivables.	-	-	-	-	2,779	-	2,779
Other non-financial assets and related party receivables	-	-	-	-	-	461,407	461,407
	1,186,580	**950,287**	**848,007**	**178**	**5,267,194**	**461,407**	**8,713,653**
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	-	-	-	-	313,775	-	313,775
Borrowed funds	-	-	-	-	165,196	-	165,196
Other financial liabilities	-	-	-	-	221,719	-	221,719
Other non-financial liabilities	-	-	-	-	-	356,691	356,691
	205,062	**-**	**-**	**-**	**6,668,562**	**356,691**	**7,230,315**

4. Segment information

The principal business units in the Bank are as follows:

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.

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 clients

The Corporate and Investment Banking (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.

Income statement	Business Consumer Clients USHs' 000	Consumer and High Net Worth USHs' 000	Corporate and Investment Banking USHs' 000	Treasury and Capital management Shs' 000	Total USHs' 000
Year ended 31 December 2022					
Net Interest income	189,231,360	198,285,810	224,678,065	25,747,138	637,942,373
Fee and commission income	57,996,695	72,981,249	40,693,248	134,366	171,805,558
Net trading income	45,603,028	17,969,109	148,687,777	-	212,259,914
Other income	106,582	10,868,041	2,382	58,826	11,035,831
Total operating income	292,937,665	300,104,209	414,061,472	25,940,330	1,033,043,676
Impairment losses	(54,570,636)	(18,868,789)	-	-	(73,439,425)
Reversal of prior year impairment losses	-	-	13,820,398	46,537	13,866,935
Other operating expenses	(161,119,568)	(148,090,972)	(161,864,787)	(8,152,641)	(479,227,968)
Profit before tax	77,247,461	133,144,448	266,017,083	17,834,226	494,243,218
Income tax expense	(19,756,770)	(34,577,326)	(69,229,842)	(4,643,915)	(128,207,853)
Profit after tax	**57,490,691**	**98,567,122**	**196,787,241**	**13,190,311**	**366,035,365**
Year ended 31 December 2021					
Net Interest income	155,104,993	167,169,621	208,181,797	6,763,292	537,219,703
Fee and commission income	52,048,521	69,607,708	36,771,623	964,308	159,392,160
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	7,549,729
Total operating income	244,595,765	256,011,239	390,191,610	7,832,783	898,631,397
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	(468,582,093)
Profit before tax	28,871,232	93,683,246	225,184,352	11,902,808	359,641,638
Income tax expense	(900,351)	(20,581,018)	(59,917,725)	(2,804,382)	(84,203,476)
Profit after tax	**27,970,881**	**73,102,228**	**165,266,627**	**9,098,426**	**275,438,162**

The segmental information in the table above includes transactions made between different segments within the Bank that give rise to a cost in one segment and income to another segment. These transactions have no net impact to the Bank as a whole. In 2022 these transactions had a net interest income of UShs 49.1 billion (2021: UShs 39.2billion) and net trading cost of UShs 49.1 billion (2021: UShs 39.2 billion).

The change in operating segments from 1 January 2021 resulted in a change in presentation in the form of renaming certain line items throughout these financial statements to align with the 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.

Income statement	Business Consumer Clients UShs' 000	Consumer and High Net Worth UShs' 000	Corporate and Investment Banking UShs' 000	Treasury and Capital management Shs' 000	Total UShs' 000
Year ended 31 December 2022					
Other segment items included in the income statement					
Depreciation	(762,879)	(17,827,317)	(1,352,230)	(14,482,245)	(34,424,671)
Amortisation of intangible assets	-	(2,295,674)	-	(12,866,591)	(15,162,265)
Year ended 31 December 2021					
Other segment items included in the income statement					
Depreciation	(577,843)	(18,286,405)	(1,067,375)	(13,877,167)	(33,808,790)
Amortisation of intangible assets	-	(2,295,674)	-	(12,745,730)	(15,041,404)

Statement of financial position	**Business Consumer Clients**	**Consumer and High Net Worth**	**Corporate and Investment Banking**	**Treasury & Capital management**	**Total**
Year ended 31 December 2022	**UShs' 000**	**UShs' 000**	**UShs' 000**	**Shs' 000**	**UShs' 000**
Net Loans and advances to banks	2,864,691	-	293,179,826	-	296,044,517
Amounts due from group companies	-	-	227,657,014	-	227,657,014
Net loans and advances to customers	921,486,177	1,160,367,637	2,003,147,211	-	4,085,001,025
Total assets	1,173,811,847	2,029,801,215	5,769,401,039	60,306,875	9,033,320,976
Deposits from banks	49,021,271	-	93,071,589	-	142,092,860
Amounts due to group companies	-	-	258,931,209	-	258,931,209
Deposits and current accounts from customers	1,796,221,272	1,559,179,002	2,775,856,203	-	6,131,256,477
Total liabilities	919,298,434	1,268,915,079	5,065,817,501	49,365,298	7,303,396,312
Equity	254,513,412	760,886,136	703,583,539	10,941,577	1,729,924,664
Year ended 31 December 2021					
Net Loans and advances to banks	-	-	1,106,122,016	-	1,106,122,016
Amounts due from group companies	-	-	401,305,727	-	401,305,727
Net loans and advances to customers	915,988,276	1,006,962,512	1,798,996,690	125,592	3,722,073,070
Total assets	1,164,664,634	1,263,555,840	5,770,637,332	514,794,720	8,713,652,526
Deposits from banks	77,512,809	-	77,562,305	-	155,075,114
Amounts due to group companies	-	-	313,774,950	-	313,774,950
Deposits and current accounts from customers	1,931,430,513	1,346,795,544	2,462,817,109	-	5,741,043,166
Total liabilities	952,689,768	1,076,950,163	5,082,421,771	118,254,638	7,230,316,340
Equity	**169,579,893**	**149,284,542**	**550,572,449**	**613,899,302**	**1,483,336,186**

5. Interest income

	2022	**2021**
	UShs' 000	**UShs' 000**
Financial investments -FVOCI	125,603,963	97,144,757
Financial investments -amortised cost	3,640,080	-
Loans and advances to customers	489,160,843	438,422,213
Loans and advances to banks	5,586,144	3,514,019
Placements with group companies	4,438,809	310,924
Interest income on credit impaired financial assets	6,070,706	4,602,713
	634,500,545	543,994,626

All the amounts reported above comprise interest income calculated using the effective interest method. Interest income is recognised over a period of time.

6. Interest expense

	2022	**2021**
	UShs' 000	**UShs' 000**
Current accounts	21,835,896	20,467,557
Savings and deposit accounts	9,904,485	13,688,550
Subordinated debt	4,954,435	3,807,113
Deposits and borrowings from banks	719,664	248,626
Amounts due to group companies	4,135,169	3,598,404
Interest paid on other money market borrowings	1,811,999	1,838,972
Interest expense on lease liabilities	2,362,153	2,357,617
	45,723,801	46,006,839

All interest expense relates to financial liabilities at amortised cost.

7. Net fee and commission income

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.

	2022 UShs' 000	2021 UShs' 000
Fee and commission income		
Transactional fees and commission income	169,028,055	151,091,035
Trade fees and commission income	4,082,114	5,944,685
Credit related fees	17,267,157	16,242,173
	190,377,326	173,277,893
Fee and commission expense		
Transactional fees and commission expenses	**(14,104,775)**	(8,857,656)
Net fee and commission income	**176,272,551**	164,420,237

Net fee and commission income above comprises of amounts included in determining the effective interest rate on financial assets measured at amortised cost of UShs 3,885 million (2021: UShs 6.070 million). All net fee and commission income relate to financial assets or liabilities at amortised cost. Fees and commission income is recognized over a period of time.

8. Net trading income

	2022 UShs' 000	2021 UShs' 000
Foreign exchange trading gains/ (losses) - realised	12,971,997	(9,176,401)
Foreign exchange trading gains - unrealised	39,586,872	10,285,907
Gains on trading assets	199,197,115	234,583,509
Unrealised gain/ (losses) on financial instruments	10,581,725	(1,253,337)
Other trading losses	(912,164)	(737,957)
	261,425,545	233,701,721

Included in trading gains on financial instruments are realised gains and losses from buying and selling debt securities coupled with the impact of 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

	2022 UShs' 000	2021 UShs' 000
Derecognition losses	-	(3,295)
	-	(3,295)

2021 balance relates to gains arising from the derecognition of financial assets classified as amortised cost (2022: Nil)

10. Other operating income:

	2022 UShs' 000	2021 UShs' 000
Gain on disposal of property and equipment	324,179	60,048
Other income	7,658,673	4,440,596
	7,982,852	4,500,644

Other income includes profit share in relation to bancassurance fees of UShs 7 billion (2021: UShs 3.8 billion) resulting from joint venture arrangements with Liberty General Insurance Limited and Liberty Life Insurance Limited.

11. Impairment charge for credit losses

	2022 UShs' 000	2021 UShs' 000
Net expected credit losses raised and released		
Loans and advances to customers (Note 19)	(89,482,127)	(74,958,072)
Loans and advances to banks (Note 18)	(114,764)	21,088
Financial investments (Note 17)	(142,073)	(97,370)
Off balance sheet items (Note 31)	2,102,086	125,482
Recoveries on loans and advances previously written off	27,384,686	8,209,129
Interest in suspense released on cured loans and advances	1,941,847	3,154,415
Modification losses	(1,262,145)	(6,862,338)
	(59,572,490)	(70,407,666)

12. Employee benefits expense

	2022 UShs' 000	2021 UShs' 000
Salaries and wages	147,958,514	125,336,481
Contributions to statutory and other defined benefit plans	30,645,323	26,250,257
Other employee benefits	22,189,277	15,899,796
	200,793,114	167,486,534

13. Other operating expenses

	2022 UShs' 000	2021 UShs' 000
Premises	10,262,737	10.471,762
Office expenses	4,909,726	3,730,691
Auditors remuneration	883,282	890,794
Professional fees	1,766,664	5,934,277
IT expenses	59,442,023	68,219,428
Travel and entertainment	9,013,661	3,660,055
Marketing and advertising	11,910,290	10,831,074
Insurance	3,647,856	3,850,497
Deposit Protection Scheme Contribution	11,399,644	10,453,179
Security expenses	8,027,656	9,154,995
Franchise fees	30,991,310	26,958,959
Directors fees and expenses	761,246	537,886
Training costs	1,959,773	945,197
Operational losses	986,519	24,040,999
Indirect taxes (VAT)	23,122,654	18,297,625
Bank charges	1,973,509	1,484,097
Credit Bureau expenses	1,089,837	1,915,650
Other operating expenses	48,090,956	52,843,897
	230,239,343	254,221,062

Other operating expenses (note 13 above) is comprised of the following items:		
Communication expenses	6,875,444	9,735,468
Commissions paid	27,245,063	24,648,544
Administration and membership fees	1,271,037	1,221,337
Donations: non-tax allowable	2,250,352	1,282,719
Conference expenses (non-training)	1,068,912	538,317
Refreshments	1,358,851	1,057,519
Other operating costs	8,021,297	14,359,993
	48,090,956	52,843,897

Included in the IT costs are additional costs relating to Salesforce and Flexipay (support costs and annual licenses) and other peripheral system that support in the day-to-day operations of the Bank. The other operating costs include commissions paid to bank agents and provisions for unspecified expected losses of UShs 6 billion netted off by releases during the year (2021: UShs 7.6 billion).

14. Income tax expense

	2022 USHs' 000	2021 USHs'000
Current income tax	121,834,032	91,488,051
Deferred income tax (see note 20)	6,396,411	(7,284,575)
	128,230,443	84,203,476

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

	2022 USHs' 000	2021 USHs'000
Profit before income tax	494,265,810	359,641,638
Tax calculated at statutory tax rate of 30% (2021: 30%)	148,279,743	107,892,491
Income subject to tax at 20%	(23,419,403)	(22,202,705)
Income subject to tax at 10%	(182,746)	(3,398,617)
Expenses not deductible for tax purposes	3,552,790	2,491,812
Prior year current income tax under/(over) provision	59	(579,505)
	128,230,443	84,203,476

Current income tax liability

The movement in the current income tax liability was as follows:

	2022 USHs' 000	2021 USHs'000
At the start of the year	15,328,748	6,489,892
Charge for the year	121,834,032	91,488,051
Tax paid	(113,996,761)	(82,649,195)
At the end of the year	**23,166,019**	15,328,748

15. Earnings per share and dividends per share

	2022 USHs' 000	2021 USHs'000
Earnings per share		
Profit attributable to ordinary shareholders (UShs'000)	366,035,367	275,438,162
Weighted average number of ordinary shares in issue (thousands)	56,237,415	51,188,670
Basic earnings per share (expressed in Shs per share)	6.51	5.38
Dividends per share		
Proposed dividends	195,000,000	55,000,000
Weighted average number of ordinary shares in issue (thousands)	56,237,415	51,188,670
Dividends per share	3.47	1.07

There were no potentially dilutive shares as at 31 December 2022 or on 31 December 2021. Therefore, diluted earnings per share are the same as basic earnings per share.

16. Cash and balances with Bank of Uganda

	2022 USHs' 000	2021 USHs'000
Coins and bank notes	493,317,324	432,946,729
Balances with Bank of Uganda	593,119,817	552,252,953
	1,086,437,141	985,199,682

Banks are required to maintain a prescribed minimum cash balance with Bank of Uganda. The amount is determined by Bank of Uganda on a pre-set formula on a rolling fortnightly basis; 10% in 2022 (2021: 8.33%). The cash reserve as at 31 December 2022 was UShs 634,950 million partially utilised UShs 41,830 million to close at 593,120 million (2021: UShs 517,340 million) as disclosed in Note 35. Included in cash and cash balances are cash reserves relating to Flexipay electronic money of UShs 238 million representing 20% of the FlexiPay electronic liabilities as at 31 December 2022 in compliance with Section 51 of the NPS Act. The cash reserves are available for use in the Bank's Day to day activities and may fall below the requirement up to 50% on a given day. There were no compliance breaches within the year.

17. Financial investments

		2022 UShs' 000	2021 UShs' 000
(a)	**Financial investments-FVOCI**		
	Government treasury bills		
	At start of year	337,825,838	305,755,107
	Additions	429,770,855	272,605,058
	Disposals	(357,406,916)	(234,570,899)
	Fair value adjustments	1,097,142	(2,123,114)
	Transfer to pledged assets	(5,504,897)	(3,840,314)
	At end of year	405,782,022	337,825,838
	Government treasury bonds		
	At start of year	506,340,724	415,818,251
	Additions	489,962,098	123,367,191
	Disposals	(238,852,582)	(61,552,932)
	Fair value adjustments	(13,411,822)	28,708,214
	At end of year	744,038,418	506,340,724
	Total at end of year	**1,149,820,440**	844,166,562
(b)	**Financial investments-amortised Cost**		
	Government treasury bonds		
	At start of year	-	-
	Additions	90,334,380	-
	At end of year	**90,334,380**	-
(c)	**Other equity investments**		
	Other equity investments	176,548	178,468
	At end of year	176,548	178,468
	Total financial investments	**1,240,331,368**	844,345,030
(d)	**Trading assets**		
	Government treasury bills		
	At start of year	209,034,408	572,844,527
	Additions	3,605,786,950	4,463,604,259
	Disposals	(3,356,018,346)	(4,826,842,035)
	Fair value adjustments	4,593,873	(572,343)
	At end of year	**463,396,885**	209,034,408
	Government treasury bonds		
	At start of year	848,381,748	529,104,511
	Additions	7,437,924,560	7,492,212,280
	Disposals	(7,155,578,905)	(7,177,321,997)
	Fair value adjustments	4,351,686	4,386,954
	At end of year	**1,135,079,089**	848,381,748
	Total trading assets	**1,598,475,974**	1,057,416,156
		2,838,807,342	1,901,761,186

Government securities comprise government treasury bills and bonds. 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, amortised cost and trading assets, which are fair valued through the income statement.

Included in financial investments are placements of Flexipay electronic money in government treasury bills at FVOCI totaling to UShs 951 million representing 80% of the FlexiPay electronic liabilities as at 31 December 2022 in compliance with Section 51 of the NPS Act.

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 provided as collateral to the counterparty. To the extent that the counterparty is permitted to sell the financial asset where the Bank defaults on the obligation, they are classified in the statement of financial position as pledged assets.

(e) Pledged assets

	Carrying amount of transferred assets UShs'000	Carrying amount of associated liabilities UShs'000	Fair value of transferred assets UShs'000	Fair value of associated liabilities UShs'000	air value UShs'000
2022					
Securities pledged under clearing house values	5,504,897	-	5,499,089	-	5,499,089
Total assets pledged	**5,504,897**		**5,499,089**		**5,499,089**
2021					
Securities pledged under clearing house values	3,840,314	-	3,879,862	-	3,879,862
Total assets pledged	3,840,314	-	3,879,862	-	3,879,862

As at 31 December 2022, the Bank had pledged government securities totaling UShs 5.5 billion to Bank of Uganda under the automated clearing house rules (2021: UShs 3.84 billion). These assets are reclassified from financial investments measured at fair value through OCI to pledged assets. 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.

(f) Reconciliation of expected credit losses for debt financial investments measured at FVOCI

		Income statement movements				
Year ended 31 December 2022	**At start of year UShs'000**	**ECL on new exposures raised UShs'000**	**Subsequent changes in ECL UShs'000**	**Change in ECL due to derecognition UShs'000**	**Net impairments raised/ (released) UShs'000**	**At end of year UShs'000**
Financial investments measured at FVOCI						
Stage 1	(285,582)	(239,544)	29,659	110,338	(99,547)	(385,129)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	**(285,582)**	**(239,544)**	**29,659**	**110,338**	**(99,547)**	**(385,129)**
Year ended 31 December 2021						
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)

(g) Reconciliation of expected credit losses for debt financial investments measured at amortised cost as at 31 December 2022. (2021: Nil)

		Income statement movements				
Year ended 31 December 2022	**At start of year UShs'000**	**ECL on new exposures raised UShs'000**	**Subsequent changes in ECL UShs'000**	**Change in ECL due to derecognition UShs'000**	**Net impairments raised/ (released) UShs'000**	**At end of year UShs'000**
Financial Investments measured at amortised cost						
Stage 1	-	(42,526)	-	-	(42,526)	(42,526)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Total	**-**	**(42,526)**	**-**	**-**	**(42,526)**	**(42,526)**

18. Loans and advances to banks

Loans and advances to banks	2022 UShs' 000	2021 UShs' 000
Measured at amortised cost		
Items in course of collection - foreign banks	6,137,712	3,455,712
Placements with local banks	67,913,570	259,520,537
Placements with foreign banks	222,027,038	843,277,115
Gross loans and advances	**296,078,320**	1,106,253,364
Less: provision for impairment	(33,803)	(131,348)
	296,044,517	1,106,122,016

The weighted average effective interest rate on loans and advances to banks was 1.9% (2021: 0.6%).

The reconciliation of expected credit losses for loans and advances to banks measured at amortised cost is as follows:

			Income statement movements					
Year ended 31 December 2022	**At start of year UShs'000**	**Total transfers between stages UShs'000**	**ECL on new exposures raised UShs'000**	**Subsequent changes in ECL UShs'000**	**Change in ECL due to derecognition UShs'000**	**Net impairments raised/ (released) UShs'000**	**Exchange and other movements UShs'000**	**At end of year UShs'000**
Stage 1	(126,771)	-	(130,926)		36,690	(94,236)	211,457	(9,550)
Stage 2	(4,577)	-	(590)	(19,938)	-	(20,528)	852	(24,253)
Stage 3	-	-	-	-	-	-	-	-
Total	**(131,348)**	-	**(131,516)**	**(19,938)**	**36,690**	**(114,764)**	**212,309**	**(33,803)**
Year ended 31 December 2021								
Stage 1	(32,753)	37,402	(21,775)	(102,092)	29,352	(94,515)	(36,905)	(126,771)
Stage 2	(82,456)	(37,402)	(3,562)	119,165	-	115,603	(322)	(4,577)
Stage 3	-	-	-	-	-	-	-	-
Total	(115,209)	-	(25,337)	17,073	29,352	21,088	(37,227)	(131,348)

19. Loans and advances to customers

	2022 UShs' 000	2021 UShs' 000
Home services	319,628,688	151,291,900
Vehicle and asset finance	136,572,276	159,452,367
Card and payments	4,796,328	3,750,141
Personal unsecured lending	1,016,558,975	1,064,116,653
Business and other lending	773,714,310	734,367,289
Corporate lending	1,540,954,975	1,280,377,223
Sovereign lending	446,428,792	503,289,483
Gross loans and advances	4,238,654,344	3,896,645,056
Less: Interest in suspense	(3,818,615)	(5,199,772)
Less: Expected credit losses	(149,834,704)	(169,372,214)
	4,085,001,025	3,722,073,070
Current	2,066,982,656	1,936,154,345
Non-current	2,018,018,369	1,785,918,725
Total	**4,085,001,025**	3,722,073,070

Included in other loans and advances is the fair value adjustment of loans advanced to staff at off market rates of UShs 32,017 million (2021: UShs 21,389 million).

19.1 Reconciliation of expected credit losses for loans and advances measured at amortised cost as at 31 December 2022

Year ended 31 December 2022	At start of year	Income statement movements				Net impairments raised/ (released)[1]	TVM unwinding and IIS movement	Impaired accounts written off	Exchange and other movements	At end of year
		Total transfers between stages	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	**(27,733,788)**	**-**	**(707,359)**	**6,568,643**	**-**	**5,861,284**	**2,092,493**	**1,253,716**	**65,445**	**(18,460,850)**
Stage 1	(4,155,418)	(9,847,483)	(499,216)	13 040,879	-	2,694,180	-	-	6,199	(1,455,039)
Stage 2	(11,451,167)	10,005,197	(126,849)	(8,441,461)	-	1,436,887	-	-	59,246	(9,955,034)
Stage 3 (including IIS)	(12,127,203)	(157,714)	(81,294)	1,969,225	-	1,730,217	2,092,493	1,253,716	-	(7,050,777)
Vehicle and asset finance	**(12,331,322)**	**-**	**(4,080,253)**	**(1,964,184)**	**-**	**(6,044,437)**	**48,084**	**7,111,931**	**12,770**	**(11,202,974)**
Stage 1	(1,587,909)	(1,714,921)	(758,575)	2,813,431	-	339,935	-	-	2,479	(1,245,495)
Stage 2	(4,097,405)	2,185,459	(2,861,162)	(1,990,548)	-	(2,666,251)	-	-	10,291	(6,753,365)
Stage 3 (including IIS)	(6,646,008)	(470,538)	(460,516)	(2,787,067)	-	(3,718,121)	48,084	7,111,931	-	(3,204,114)
Card debtors	**(1,472,104)**	**-**	**(168,921)**	**641,972**	**-**	**473,051**	**-**	**290,992**	**-**	**(708,061)**
Stage 1	(98,581)	(26,235)	(12,393)	65,824	-	27,196	-	-	-	(71,385)
Stage 2	(1,290,360)	119,338	(91,345)	816,091	-	844,084	-	-	-	(446,276)
Stage 3 (including IIS)	(83,163)	(93,103)	(65,183)	(239,943)	-	(398,229)	-	290,992	-	(190,400)
Other Loans and Advances	**(112,651,264)**	**-**	**(36,945,711)**	**(63,771,383)**	**-**	**(100,717,094)**	**6,715,999**	**91,748,950**	**63,721**	**(114,839,688)**
Stage 1	(20,142,531)	(4,227,385)	(5,974,837)	18,019,959	-	7,817,737	-	-	12,315	(13 312,479)
Stage 2	(20,875,110)	2,970,759	(10,784,302)	(3,513,836)	-	(11,327,379)	-	-	51,406	(32,151,083)
Stage 3 (including IIS)	(71,633,623)	1,256,626	(20,186,572)	(78,277,506)	-	(97,207,452)	6,715,999	91,748,950	-	(70,376,126)
Sub-total	**(154,188,478)**	**-**	**(41,902,244)**	**(58,524,952)**	**-**	**(100,427,196)**	**8,856,576**	**100,405,589**	**141,936**	**(145,211,573)**
Corporate and Investment Banking	**(20,383,508)**	**-**	**(6,619,467)**	**67,762**	**17,496,774**	**10,945,069**	**-**	**994,689**	**2,004**	**(8,441,746)**
Stage 1	(7,561,122)	56,216	(6,536,093)	59,043	5,672,782	(748,052)	-	-	3,390	(8,305,784)
Stage 2	(46,955)	(56,216)	(83,374)	8,719	43,252	(87,619)	-	-	(1,386)	(135,960)
Stage 3 (including IIS)	(12,775,431)	-	-	-	11,780,740	11,780,740	-	994,689	-	(2)
Total	**(174,571,986)**	**-**	**(48,521,711)**	**(58,457,190)**	**17,496,774**	**(89,482,127)**	**8,856,576**	**101,400,278**	**143,940**	**(153,653,319)**

1 The Bank's policy is to transfer opening balances based on the ECL stage at the end of the reporting period. Therefore, exposures can appear to be transferred directly from stage 3 to stage 1 as the curing requirements would have been satisfied during the reporting period. Furthermore, the ECL recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the column 'ECL on new exposure raised' based on the exposures' ECL stage as at the end of the reporting period. It is therefore possible to disclose new/originated exposures in stage 2 and 3.

2 The ECL recognised on new exposures originated during the reporting period (which are not included in opening balances) are included within the rows 'ECL on new exposures raised' based on the exposures' ECL stage as at the end of the reporting period.

3 The contractual amount outstanding on secured loans and advances that were written off during the year are still subject to enforceability activities.

4 Exchange and other movements included the net interest in suspense (IIS), time value of money (TVM) unwind, raised and released during the year.

19.1 Reconciliation of expected credit losses for loans and advances measured at amortised cost as at 31 December 2021

Year ended 31 December 2021	At start of year	Income statement movements: Total transfers between stages	Income statement movements: ECL on new exposures raised	Income statement movements: Subsequent changes in ECL	Income statement movements: Change in ECL due to derecognition	Net impairments raised/ (released)[1]	TVM unwinding and IIS movement	Impaired accounts written-off	Exchange and other movements	At end of year
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000		UShs' 000	UShs' 000	UShs' 000	UShs' 000
BCC and CHNW										
Home Services	**(12,511,935)**	**-**	**(467,398)**	**(16,468,456)**	**-**	**(16,935,854)**	**356,819**	**1,182,026**	**175,156**	**(27,733,788)**
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	**(8,314,696)**	**-**	**(1,686,456)**	**(3,270,998)**	**-**	**(4,957,454)**	**375,655**	**524,042**	**41,131**	**(12,331,322)**
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 and Payments	**(1,049,747)**	**-**	**(11,937)**	**(668,010)**	**-**	**(679,947)**	**-**	**337,715**	**(80,125)**	**(1,472,104)**
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	**(92,065,156)**	**-**	**(20,230,226)**	**(28,307,856)**	**-**	**(48,538,082**	**782,548**	**27,305,588**	**(136,162)**	**(112,651,264)**
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)	(34,938,03)	-	(43,495,977)	782,548	27,305,588	-	(71,633,623)
Sub total	**(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	**(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)**
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)
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)**

19.2 Changes in gross exposures relating to changes in ECL

The below is an explanation of significant changes in the gross carrying amount on financial instruments used to determine the above changes in ECL:

The ECL on new exposures raised of UShs 1.9 trillion (2021: 1.1 trillion) primarily relates to the growth in the gross carrying amount from new exposures originated of:

- home services of UShs 82 billion (2021: UShs 467 million)
- vehicle and asset finance of UShs 48 billion (2021: UShs 1.7 billion)
- Personal unsecured lending and business and other lending of UShs 656 billion (2021: UShs 120 billion)
- corporate of UShs 1.1 trillion (2021: UShs 1.0 trillion)
- The decrease in ECL is due to recoveries on impaired accounts written off of UShs 27.4 billion (2021: UShs 8.2 billion).

The Bank's policy is to transfer between stages using opening ECL balances based on the exposures' ECL stage at the end of the reporting period.

Therefore, the related gross carrying amount of the significant transfers primarily relate to the continued impact of economic environment together with positive collection trends, and are shown in the table below:

Gross carrying amounts of ECL movements For the year ended 31 December 2022	Gross carrying amounts of transfers between stages			
	Transfer Stage 1 to/(from)	Transfer Stage 2 to/(from)	Transfer Stage 3 to/(from)	Total
Stage 1				
Home Services	-	(82,298,951)	(2,322,238)	(84,621,189)
Vehicle and asset finance	-	(20,973,579)	(660,106)	(21,633,685)
Card and Payments	-	(533,244)	(79,236)	(612,480)
Personal unsecured lending	-	(44,034,832)	(11,763,925)	(55,798,757)
Business and other lending	-	(79,992,791)	(6,855,196)	(86,847,987)
Corporate lending	-	1,824,251	-	1,824,251
Bank lending	-	(15,175,739)	-	(15,175,739)
	-	**(241,184,885)**	**(21,680,701)**	**(262,865,586)**
Stage 2				
Home Services	82,298,951	-	(6,274,861)	76,024,090
Vehicle and asset finance	20,973,579	-	(3,051,449)	17,922,130
Card and Payments	533,244	-	(156,346)	376,898
Personal unsecured lending	44,034,832	-	(4,985,903)	39,048,929
Business and other lending	79,992,791	-	(22,034,183)	57,958,608
Corporate lending	(1,824,251)	-	-	(1,824,251)
Bank lending	15,175,739	-	-	15,175,739
	241,184,885	**-**	**(36,502,742)**	**204,682,143**
Stage 3				
Home Services	2,322,238	6,274,861	-	8,597,099
Vehicle and asset finance	660,106	3,051,449	-	3,711,555
Card and Payments	79,236	156,346	-	235,582
Personal unsecured lending	11,763,925	4,985,903	-	16,749,828
Business and other lending	6,855,196	22,034,183	-	28,889,379
	21,680,701	**36,502,742**	**-**	**58,183,443**
Total	**262,865,586**	**(204,682,143)**	**(58,183,443)**	**-**
For the year ended 31 December 2021				
Stage 1				
Home Services	-	(93,178,282)	(21,433,617)	(114,611,899)
Vehicle and asset finance	-	(16,002,526)	(5,149,118)	(21,151,644)
Card and Payments	-	(865,770)	(67,028)	(932,798)
Personal unsecured lending	-	(10,536,307)	(10,656,375)	(21,192,682)
Business and other lending	-	(36,374,635)	(5,019,113)	(41,393,748)
	-	**(156,957,519)**	**(42,325,252)**	**(199,282,771)**
Stage 2				
Home Services	93,178,282	-	(4,280,039)	88,898,242
Vehicle and asset finance	16,002,526	-	(4,274,571)	11,727,955
Card and Payments	865,770	-	(146,803)	718,967
Personal unsecured lending	10,536,307	-	(4,769,180)	5,767,126
Business and other lending	36,374,635	-	(8,666,309)	27,708,326
	156,957,519	**-**	**(22,136,903)**	**134,820,616**
Stage 3 (excluding IIS)				
Home Services	21,433,617	4,280,039	-	25,713,656
Vehicle and asset finance	5,149,118	4,274,571	-	9,423,689
Card and Payments	67,028	146,803	-	213,831
Personal unsecured lending	10,656,375	4,769,180	-	15,425,556
Business and other lending	5,019,113	8,666,309	-	13,685,422
	42,325,252	**22,136,903**	**-**	**64,462,154**
Total	**199,282,771**	**(134,820,616)**	**(64,462,154)**	**-**

19.3 Modifications on loans and advances measured at amortised cost

	Stage 2	
Year ended 31 December 2022	Gross amortised cost before modification UShs'000	Net modification gain or loss UShs'000
Other loans and advances	26,440,104	(1,262,145)
Total	**26,440,104**	**(1,262,145)**

	Stage 3	
Year ended 31 December 2021	Gross amortised cost before modification UShs'000	Net modification gain or loss UShs'000
Mortgage loans	6,205,490	(1,550,888)
Other loans and advances	22,950,456	(5,311,450)
Total	**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 57.4 billion (2021: UShs 351.7 billion).

19.4 The loans and advances to customers include finance lease receivables for both BCC and CHNW and CIB as follows:

Vehicle and Asset Finance	**2022 UShs' 000**	2021 UShs' 000
Gross investment in finance leases		
No later than 1 year	111,952,419	123,852,049
Later than 1 year but no later than 5 years	18,572,981	15,112,493
Later than 5 years	6,046,876	20,487,825
Investment in finance leases	**136,572,276**	159,452,367

20. Deferred tax asset

	2022 UShs' 000	2021 UShs' 000
At start of year	42,378,459	43,860,049
(Charge)/ credit to profit or loss	(6,396,411)	7,284,576
Financial investments- FVOCI	3,432,271	(8,766,166)
At end of year	39,414,319	42,378,459
Deferred income tax assets		
Provisions for loans and advances	22,654,303	22,351,020
Financial investments- FVOCI	(4,176,000)	(7,608,271)
Other deductible temporary differences	37,494,822	47,104,672
	55,973,125	61,847,421
Deferred income tax liabilities		
Property, equipment and right-of-use assets	(16,558,806)	(19,468,962)
Net deferred income tax asset	39,414,319	42,378,459
Income statement movement		
Property, equipment and right-of-use assets	2,910,156	2,053,725
Provisions for loans and advances	303,283	4,299,944
Other deductible temporary differences	(9,609,850)	930,906
	(6,396,411)	**7,284,575**

Other deductible temporary differences include deferred income UShs 3.8 billion (2021: UShs 4.2 billion), bonus provisions UShs 22.7 billion (2021: UShs 18.8 billion), deferred tax on leases UShs 1.3 billion (2021: UShs 0.7 billion) and fair value on derivatives and trading assets UShs 9.7 billion (2021: UShs 23.2 billion).

21. Other assets

	2022 UShs' 000	2021 UShs' 000
Clearances in transit	6,747,781	3,434,777
Prepayments	38,447,780	25,422,210
Fees receivable	12,479,381	6,585,115
Mobile wallet balances	75,096,820	159,812,763
Other accounts receivable	69,878,407	68,093,251
	202,650,169	263,348,116

Due to the short-tern nature of these assets and historical experience, other financial assets are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

The fees receivable includes Bancassurance fees UShs. 6.9 billion (2021: UShs.4.2 billion), custody fees UShs 0.62 billion (2021: UShs 0.6 billion), and structured fees UShs 4.8 billion (2021 UShs 1.4 billion). Other accounts receivable includes spot transactions from counter parties of UShs. 57 billion (2021: UShs. 55.9 billion).

22. Goodwill and other intangible assets

Year ended 31 December 2022	Computer software UShs' 000	Goodwill UShs' 000	Work in progress UShs' 000	Total UShs' 000
Cost				
At start of year	149,701,988	1,901,592	-	151,603,580
Additions	-	-	-	-
Transfers	-	-	-	-
At end of year	**149,701,988**	**1,901,592**	**-**	**151,603,580**
Amortisation				
At start of year	69,310,167	-	-	69,310,167
Charge for the year	15,162,264	-	-	15,162,264
At end of year	**84,472,431**	-	-	**84,472,431**
Net book value	**65,229,557**	**1,901,592**	-	**67,131,149**

Year ended 31 December 2021	Computer software UShs' 000	Goodwill UShs' 000	Work in progress UShs' 000	Total UShs' 000
Cost				
At start of year	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 end of year	149,701,988	1,901,592	-	151,603,580
Amortisation				
At start of year	54,268,763	-	-	54,268,763
Charge for the year	15,041,404	-	-	15,041,404
At end of year	69,310,167	-	-	69,310,167
Net book value	80,391,821	1,901,592	-	82,293,413

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 2022 (2021: 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 Bank.

23. Property, equipment and right-of-use assets

Year ended 31 December 2022	Equipment					Right-of-use asset		Total
	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Work in progress	Building	Branches	ATM Spacing and others	
	USh's' 000	USh's' 000	USh's' 000	USh's' 000	USh's' 000	USh's' 000	USh's' 000	
Cost								
At start of year	82,074,737	105,900,993	9,169,508	20,000	38,836,106	31,919,972	11,850,127	279,771,443
Additions	4,016,972	9,321,003	3,224,863	258,139	2,053,075	5,355,420	3,028,285	27,257,757
Transfers	26,000	-	-	(26,000)	-	-	-	-
(Disposals)/ modification	(1,602,114)	(3,104,618)	(788,824)	-	4,836,748	(368,839)	(107,653)	(1,135,300)
At end of year	84,515,595	112,117,378	11,605,547	252,139	45,725,929	36,906,553	14,770,759	305,893,900
Depreciation								
At start of year	71,148,152	80,444,576	7,110,669	-	19,404,779	17,527,363	7,969,402	203,604,941
Charge for the year	4,820,281	11,302,004	1,452,343	-	8,450,097	5,882,766	2,517,180	34,424,671
On disposals	(1,595,533)	(3,099,747)	(788,819)	-	-	-	-	(5,484,099)
At end of year	74,372,900	88,646,833	7,774,193	-	27,854,876	23,410,129	10,486,582	232,545,513
Net book value	**10,142,695**	**23,470,545**	**3,831,354**	**252,139**	**17,871,053**	**13,496,424**	**4,284,177**	**73,348,387**
Year ended 31 December 2021								
Cost								
At start of year	82,408,265	103,909,423	8,748,103	-	23,013,270	27,384,162	10,177,223	255,640,446
Additions	1,838,990	5,414,777	421,405	109,180	15,549,835	6,583,702	2,897,110	32,814,999
Transfers	89,180	-	-	(89,180)	-	-	-	-
(Disposals)/ modification	(2,261,698)	(3,423,207)	-	-	273,001	(2,047,892)	(1,224,206)	(8,684,002)
At end of year	82,074,737)	105,900,993	9,169,508	20,000	38,836,106	31,919,972	11,850,127	279,771,443
Depreciation								
At start of year	67,518,263	71,618,581	5,869,133	-	12,938,977	11,770,568	5,765,286	175,480,808
Charge for the year	5,890,886	12,249,655	1,241,536	-	6,465,802	5,756,795	2,204,116	33,808,790
On disposals	(2,260,997)	(3,423,660)	-	-	-	-	-	(5,684,657)
At end of year	71,148,152	80,444,576	7,110,669	-	19,404,779	17,527,363	7,969,402	203,604,941
Net book value	10,926,585	25,456,417	2,058,839	20,000	19,431,327	14,392,609	3,880,725	76,166,502

Right-of-use assets relates to leased branches, ATMs and buildings.

Disposals of right-of-use assets amounted to UShs 227 million (2021: UShs Nil) while modifications of right-of-use assets totaled UShs 5.1 billion (2021: UShs 3 billion).

24. Ordinary share capital and share premium

(a) Ordinary share capital

	Number of ordinary shares (thousands)	Ordinary share capital UShs'000	Total UShs'000
Issued and fully paid			
At 31 December 2020 and 2021	51,188,670	51,188,670	51,188,670
Bonus issue	102,377,339	102,377,339	102,377,339
At 31 December 2022	**153,566,009**	**153,566,009**	**153,566,009**

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 Bank. They are also entitled to dividends when declared. In exercise of its powers under FIA 2004 section 26 (5), Bank of Uganda revised the minimum paid-up capital for Tier 1 banks from UShs 25 billion to UShs 150 billion. The raising of the capital is to be phased with compliance of UShs 120 billion by 31st December 2022 and the full UShs 150 billion by 30th June 2024. On 12 December 2022, the shareholders resolved to increase the issued share capital of the Bank by way of a bonus issue of UShs 102 billion shares of 1 each in order to meet the new share capital requirements for commercial banks in Uganda. A resolution was passed for Stanbic Uganda Holdings Limited to pay the shares using share premium.

(b) Share premium

	2022 UShs' 000	2021 UShs'000
At start of year	829,879,881	829,879,881
Bonus issue	(102,377,339)	-
Share issue costs	(1,537,803)	-
At end of year	**725,964,739**	829,879,881

The drop in share premium is on the account of issued shares (UShs 102 billion) paid for using share premium and share issue costs of UShs. 1.5 billion.

25. Fair value through other comprehensive income

	2022 UShs' 000	2021 UShs' 000
At start of year	18,038,214	(2,513,543)
Net gains/(losses) from changes in fair value	(11,440,904)	29,220,552
Deferred tax on fair value change	3,432,271	(8,766,166)
Net change in expected credit losses	99,547	97,371
Net movement for the year	(7,909,086)	20,551,757
At end of year	**10,129,128**	18,038,214

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.

	2022 UShs' 000	2021 UShs'000
Specific provisions (regulatory)	72,120,658	85,984,754
General provisions (regulatory)	61,950,720	57,377,297
	134,071,378	143,362,051
Less		
Stage 3 (in accordance with IFRS)	77,002,803	86,958,342
Stage 1 and stage 2 (in accordance with IFRS)	75,856,946	74,788,984
Difference	(18,788,371)	(18,385,275)
Statutory credit risk reserves	-	-

The Bank's IFRS provisions exceeded those regulated by the Financial Institutions Act 2004, as amended as at 31 December 2021 and 2022. Accordingly, there was no statutory credit risk reserve as of those dates.

27. Derivatives

The Bank 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 Bank's participation in derivative contracts.

	Fair value of assets amount		Fair value of liabilities		Notional	
	2022 UShs' 000	2021 UShs'000	2022 UShs' 000	2021 UShs'000	2022 UShs' 000	2021 UShs'000
Interest rate swaps	68,518,217	70,852,475	(54,079,141)	(70,271,575)	1,282,289,441	3,482,014,020
Currency options	23,775,644	18,831,829	(24,122,455)	(19,016,597)	357,412,363	779,637,087
Currency forwards	8,305,729	6,029,381	(22,299,609)	(13,782,283)	75,289,936	468,845,950
Currency swap	10,725,426	33,450,356	(48,581,153)	(101,991,049)	516,646,977	2,059,943,620
	111,325,016	129,164,041	**(149,082,358)**	(205,061,504)	**2,231,638,717**	6,790,440,677

The maturity analysis of the fair values of derivative instruments held is set out below.

31 December 2022	Less than 1 year UShs' 000	1-5 years UShs' 000	Over 5 years UShs' 000	Total UShs' 000
Assets				
Interest rate swaps	75,495	14,396,228	54,046,494	68,518,217
Currency options	3,113,849	20,661,795	-	23,775,644
Currency forwards	4,610,664	3,695,065	-	8,305,729
Currency swap	7,696,778	3,028,648	-	10,725,426
Fair value of assets	**15,496,786**	**41,781,736**	**54,046,494**	**111,325,016**
Liabilities				
Interest rate swaps	-	(32,647)	(54,046,494)	(54,079,141)
Currency options	(3,113,927)	(21,008,528)	-	(24,122,455)
Currency forwards	(4,797,305)	(17,502,304)	-	(22,299,609)
Currency swap	(1,654,430)	(46,926,723)	-	(48,581,153)
Fair value of liabilities	(9,565,662)	(85,470,202)	(54,046,494)	(149,082,358)
Net fair value	**5,931,124**	**(43,688,466)**	**-**	**(37,757,342)**
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)

28. Deposits from customers

	2022 UShs' 000	2021 UShs' 000
Current and demand deposits	4,967,871,754	4,970,384,479
Savings accounts	658,047,491	531,547,555
Fixed and call deposit accounts	504,148,059	238,744,476
Flexipay wallet deposits	1,189,173	366,656
	6,131,256,477	5,741,043,166
Current	6,108,452,212	5,727,919,391
Non-current	22,804,265	13,123,775
	6,131,256,477	5,741,043,166

The weighted average effective interest rate on customer deposits was 0.75% (2021: 0.63%). Included in customer deposits are electronic wallet deposits relating to Flexipay customers amounting to UShs 1.2 billion (2021: UShs 367 million) and MTN and Airtel escrow balances of UShs 137 billion (2021: UShs 310 billion).

29. Deposits from banks

	2022 UShs' 000	2021 UShs' 000
Balances due to other banks - local currency	131,997,221	57,679,704
Balances due to other banks - foreign currency	10,095,639	97,395,410
	142,092,860	155,075,114

30. Borrowed funds

	2022 UShs' 000	2021 UShs' 000
Bank of Uganda: Agricultural Credit Facility	30,958,328	54,910,821
Other borrowed funds	6,366,319	120,285,664
	37,324,647	175,196,485
Movement Analysis		
As at 1 January	175,196,485	43,346,567
New disbursements (BOU)	1,500,000	13,775,000
New disbursements (others)	308,411	120,285,664
Payments (Other borrowed funds)	(114,227,756)	-
Payments (BOU)	(25,452 493)	(2,210,746)
Net movement	(137,871,838)	131,849,918
As at 31 December	**37,324,647**	175,196,485

The Government of Uganda, through Bank of Uganda (BOU), 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 Bank of Uganda administered credit facility while the remaining 50% is provided by the Bank. The outstanding balance as at 31 December was UShs 30,958 million (2021: UShs 54,911 million). The Bank does not pay any interest to the Government of Uganda. Refunds to the government are made half yearly and as at 31 December 2022; the last payable instalment is due on 18 November 2029. The Bank complied with all the terms and conditions of the agreements during the year.

As part of the Bank's foreign currency funding plan, the Bank borrowed Euro 25 million from Standard Chartered Bank London to support its foreign currency assets. The loan which was priced against Euribor with a tenor of 1 year was fully repaid during 2022.

As part of efforts to support the recovery of the economy following the effects of COVID-19, the Bank partnered with several entities that include aBi 2020 Limited to support the lower echelons of the economy which has Village Savings and Lending Associations (VSLA), Savings and Credit Cooperative Organisations (SACCO), Cooperatives and Microfinance institutions. In 2021, the Bank and aBi 2020 Limited 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 2022 the outstanding borrowed funds amounted to UShs 6.4 billion (2021: UShs 10 billion).

31. Other liabilities

	2022 UShs' 000	2021 UShs'000
Uganda Revenue Authority - tax revenue collections	12,427,219	10,001,533
Bills payable	150,323,034	172,464,903
Unclaimed balances	61,894,122	45,658,075
Sundry creditors	66,306,869	63,059,040
Unearned fees and commission income	2,581,651	3,164,734
Expected credit loss for off-balance sheet exposures	2,606,114	4,733,611
Lease liabilities	35,220,866	32,865,405
Accepted letters of credit	107,342,389	187,926,288
Other liabilities	46,909,062	43,208,870
	485,611,326	563,082,459

Included in other liabilities for 2022 is staff cost provisions of UShs 43 billion (2021: UShs 34 billion). Bills payable include; country driven change the Bank projects of UShs 38.4 billion (2021: UShs 48.5 billion), UShs 5.7 billion digital financial inclusion contribution (2021: UShs 8.5 billion), and legal provisions UShs 11.5 billion (2021: UShs 15.4 billion).

aBi 2020 Limited also extended a grant of UShs 1.2 billon towards digitisation of SACCOs, Village Savings and Lending Associations (VSLAs) Cooperatives and Microfinance institutions to drive financial inclusion and efficiencies to run their businesses. As at 31 December 2022, the Bank had received the first tranche of UShs 1.2 billion reported under other liabilities.

31.1 Reconciliation of expected credit losses for off-balance sheet exposure

Year ended 31 December 2022	Opening ECL	Income statement movements				Net impairments raised/ (released)	Exchange and other movements	At end of year
		Total transfers between stages	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
Letters of credit and bank acceptances								
Stage 1	(155,725)	(25,414)	(2,928)	(345,825)	2,683	(371,484)	-	(527,209)
Stage 2	(25,414)	(84,571)	-	102,881	-	18,310	-	(7,104)
Stage 3	(109,985)	109,985	-	(1)	46,212	156,196	-	46,211
Guarantees								
Stage 1	(2,883,767)	-	(102,554)	944,639	40,568	882,653	24,245	(1,976,869)
Stage 2	(590)	(1,511,919)	(9)	1,414,579	590	(96,759)	2,417	(94,932)
Stage 3	(1,558,130)	1,511,919	-	-	1,251	1,513,170	(1,251)	(46,211)
Total	**(4,733,611)**	**-**	**(105,491)**	**2,116,273**	**91,304**	**2,102,086**	**25,411**	**(2,606,114)**
Year ended 31 December 2021								
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								
Stage 2	(2,625,970)	(70,421)	(499,132)	298,000	1,664	(269,889)	12,092	(2,883,767)
Stage 3	(480,603)	70,421	196	-	410,182	480,799	(786	(590)
Total	(1,321,344)	-	(280,066)	(570)	6,172	(274,464)	37,678	(1,558,130)
	(4,924,978)	-	(573,960)	261,096	438,346	125,482	65,885	(4,733,611)

31.2 Reconciliation of lease liabilities

	At 1 January 2022	Additions/ modification	Terminations/ modifications and or Cancellations	Interest Expense	Payments	At 31 December 2022
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Buildings	(18,298,251)	(2,053,073)	(4,836,748)	(1,141,036)	5,812,307	(20,516,801)
Branches	(16,548,850)	(5,355,420)	368,839	(837,080)	6,524,002	(15,848,509)
ATM spaces and others	(4,335,393)	(3,028,287)	107,652	(384,037)	3,313,509	(4,326,556)
Total	**(39,182,494)**	**(10,436,780)**	**(4,360,257)**	**(2,362,153)**	**15,649,818**	**(40,691,866)**

	At 1 January 2021	Additions/ modification	Terminations/ modifications and or Cancellations	Interest Expense	Payments	At 31 December 2022
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Buildings	(7,783,374)	(15,549,835)	(388,901)	(1,030,024)	6,453,883	(18,298,251)
Branches	(16,105,685)	(6,583,702)	2,047,892	(1,034,459)	5,127,104	(16,548,850)
ATM spaces and others	(5,704,580)	(2,897,110)	1,224,207	(293,134)	3,335,224	(4,335,393)
Total	(29,593,639)	(25,030,647)	2,883,198	(2,357,617)	14,916,211	(39,182,494)

The Bank 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 Maturity of undiscounted contractual cash flows for lease liabilities

For the year ended 31 December 2022	Within 1 year UShs'000	From 1 to 5 years UShs'000	More than 5 years UShs'000	Total UShs'000
Buildings	(420,479)	(18,296,257)	(1,258,772)	(19,975,508)
Branches	1,251,640)	(10,857,356)	(5,503,468)	(17,612,464)
ATM Spaces & others	(206,540)	(5,713,475)	(92,500)	(6,012,515)
Total	**(1,878,659)**	**(34,867,088)**	**(6,854,740)**	**(43,600,487)**
For the year ended 31 December 2021				
Buildings	(672,530)	(23,390,966)	-	(24,063,496)
Branches	(789,623)	(18,524,025)	-	(19,313,648)
ATM Spaces & others	(626,811)	(4,776,537)	(93,700)	(5,497,048)
Total	**(2,088,964)**	**(46,691,528)**	**(93,700)**	**(48,874,192)**

31.4 Reconciliation of staff cost provision

	2022 UShs' 000	2021 UShs' 000
At start of year	37,453,393	34,082,236
Less: payments made	(39,102,233)	(25,220,489)
Add: New provision made in the year	44,713,930	28,591,646
At end of year	**43,065,090**	37,453,393

31.5 Reconciliation of litigation provision

	2022 UShs' 000	2021 UShs' 000
At start of year	15,449,423	12,436,332
Add: New provisions made in the year	83,681	3,411,006
Less: Cases settled	(36,830)	(254,293)
Less: Adjustments in provisions	(4,043,345)	(143,622)
At end of year	**11,452,929**	15,449,423

32. Subordinated debt

At 31 December 2022	Date of issue	Carrying value UShs' 000	Notional value UShs' 000
Subordinated loan facility - Standard Bank South Africa	1 April 2021	**75,931,416**	**75,931,416**
At 31 December 2021			
Subordinated loan facility - Standard Bank South Africa	1 April 2021	71,753,914	71,753,914

Movement analysis	**2022 UShs' 000**	**2021 UShs' 000**
At 1 January	71,753,914	73,022,525
Interest expense	4,954,435	3,807,113
Interest paid	(4,259,699)	(4,821,263)
Exchange rate movement	3,482,766	(254,461)
Net movement	4,177,502	(1,268,611)
At 31 December	**75,931,416**	71,753,914

In 2021, the Bank paid off the outstanding subordinated 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. The subordinated loan was sourced to supplement Bank capital and diversify funding sources and amounted to USD 20 million at a rate of 6 month Libor plus a margin of 4.77% as at 31 December 2022.

33. Dividends

	2022 UShs' 000	2021 UShs '000
(i) Dividends paid		
Final dividend for the year ended 31 December 2021	55,000,000	-
Interim dividend for the year ended 31 December 2022	55,000,000	-
	110,000,000	-
(ii) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of UShs 195 billion (2021: UShs 55 billion).	**195,000,000**	55,000,000

The Directors recommend payment of dividends per share of UShs 3.47 per share totaling UShs 195 billion for the year ended 31 December 2022. (2021: UShs 55 billion). In the 2021 annual general meeting held in June 2022 dividends of UShs 1.07 per share totaling UShs 55 billion were declared and subsequently paid.

Payment of the dividend is subject to withholding tax as per the provisions of the Uganda Income Tax Act depending on the residence of the shareholders.

34. Off-balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the Bank 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.

	2022 UShs' 000	2021 UShs' 000
Contingent liabilities		
Acceptances and letters of credit	170,460,826	223,703,640
Guarantees and performance bonds	1,821,833,394	1,696,232,281
	1,992,294,220	1,919,935,921
Commitments		
Commitments to extend credit	1,536,881,106	1,237,793,640
Currency forwards	444,380,538	328,917,790
	1,981,261,644	1,566,711,430
	3,973,555,864	3,486,647,351

Nature of contingent liabilities

An acceptance is an undertaking by a Bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Bank 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 Bank 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 Bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

Pending litigation

The Bank is a litigant in several other cases which arise in the normal course of business. The directors and management believe the Bank 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 Bank's operations. The directors have carried out an assessment of all the case outstanding as at 31 December 2022 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 11.5 billion (2021: UShs 15.5 billion) which are reported under other liabilities (Note 31).

Other matters

Following the 2016 amendment to the Stamp duty Act, the Uganda Revenue Authority (URA) sought to levy stamp duty of 1% of the value of the performance bonds and guarantees instead of the fixed rate of UShs 10,000. Through the Uganda Bankers Association (UBA), an appeal was made to the Tax Appeals Tribunal (TAT) to interpret the question of the tax applicable.

The TAT declined to entertain the appeal on the grounds that it was filed after the statutory 6 months within which a decision of the URA must be appealed against. The UBA challenged this position in High court on the grounds that URA and UBA continued to discuss the matter and appealed to TAT only after negotiations failed.

URA on 25 March 2019, prior to the High Court hearing, issued a demand letter for UShs 9.95 billion in connection with the above treatment. UBA and SBU immediately sought, an interim order of injunction from High Court restraining URA's enforcement of the tax liability. The main application was heard In High Court, on 30th May and an order dated 27 June 2019, staying the execution was granted on condition that the applicants deposit 30% of UShs 9.95 billion with the court.

URA sent its objection decision on 13 June 2019 reconfirming its earlier decision. SBU made its appeal to the TAT on 24 June 2019 and paid the mandatory 30% of the original assessment, amounting to UShs 2.9 billion and filed its defence in TAT on 24 June 2019.

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 Bank has therefore been held liable for stamp duty tax of UShs 6,364,195,812.

The Bank appealed the ruling and applied to the High Court for a stay of execution on the 31 March 2022 and the High Court of Uganda granted an order staying or restraining URA from executing/enforcing the orders of the Tax Appeals Tribunal in TAT Application 56 of 2019 including collection of the tax of UShs 6,364,195,812 until the hearing of the appeal.

In the event of an unsuccessful appeal process, a review of the stamp duty returns for the period 1 January 2017 to 1 October 2018 shows additional stamp duty payable of UShs 12,523,697,907. The High Court is yet to schedule a hearing date.

35. Analysis of cash and cash equivalents as shown in the cash flow statement

	2022 UShs' 000	2021 UShs' 000
Cash and balances with Bank of Uganda	1 086,437,141	985,199,682
Cash reserve requirement	(634,950,000)	(517,340,000)
Government securities maturing within 90 days	109,732,640	62,099,989
Placements with other banks	296,078,320	1,106,253,364
Deposits from group companies	227,657,012	401,305,725
	1,084,955,113	2,037,518,760

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 Bank of Uganda. (See Note 16).

36. Related party transactions

The Bank is 100% owned by Stanbic Uganda Holdings Limited which is 80% owned by Stanbic Africa Holdings Limited, which is incorporated in the United Kingdom. The ultimate parent and controlling party of the Bank is Standard Bank Group Limited, incorporated in South Africa. There are other companies which are related to Stanbic Bank Uganda Limited through common shareholdings or common directorships. These include Standard Bank Isle of Man Limited, Stanbic Properties Limited, Stanbic Business Incubator Limited, Flyhub Uganda Limited, SBG Securities Uganda Limited, Standard Bank of South Africa, CfC Stanbic Bank Kenya Limited, Stanbic Bank Tanzania Limited, Stanbic Bank Botswana, 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 Bank Uganda Limited board of directors and prescribed officers effective for 2022 and 2021. 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 Bank Uganda Limited. They may include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

Related party transactions further breakdown			2022 UShs' 000			2021 UShs' 000
	Parent	Other	Total	Parent	Other	Total
Amounts due from group companies						
Placements and borrowings	3,051,631	223,689,074	226,740,705	40,332,249	359,776,039	400,108,288
Other assets	223,558	692,751	916,309	692,663	504,776	1,197,439
	3,275,189	**224,381,825**	**227,657,014**	41,024,912	360,280,815	401,305,727
Amounts due to group companies						
Deposits and current accounts	12,312,904	220,388,154	232,701,058	3,616,942	261,626,691	265,243,633
Lease liabilities	-	5,471,000	5,471,000	-	6,317,089	6,317,089
Other liabilities	20,481,909	277,242	20,759,151	42,059,692	154,536	42,214,228
	32,794,813	**226,136,396**	**258,931,209**	45,676,634	268,098,316	313,774,950
Subordinated debt due to group companies (see note 32)	75,931,416	-	75,931,416	71,753,914	-	71,753,914
Derivative asset due from group companies (see note 27)	107,525,948	-	107,525,948	42,669,747	27	42,669,774
Derivative liabilities due to group companies (see note 27)	54,781,598	243	54,781,841	118,392,616	1,167	118,393,783
Income and expenses						
Interest income earned	389,319	4,049,490	4,438,809	-	310,924	310,924
Interest expense paid	4,954,435	4,331,106	9,285,541	3,807,113	3,747,477	7,554,590
Trading revenue	(83,707,585)	(45)	(83,707,630)	(47,431,830)	(46,724)	(47,478,554)
Bancassurance commission	-	6,992,923	6,992,923	-	3,793,638	3,793,638
Operating expenses incurred	62,769,614	3,918,483	66,688,097	53,131,583	3,646,192	56,777,775

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 Bank 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 6.9 billion (2021: UShs 3.8 billion).

Stanbic Bank Uganda Limited has lease agreements with Stanbic Properties Uganda Limited. As at 31 December 2022, the Bank had right-of-use assets of UShs 9.3 billion and lease liabilities of UShs 5.5 billion (2021: UShs 10.3 billion and UShs 6.3 billion respectively) arising from arrangements with Stanbic Properties Limited.

Nature of the transactions with related parties

In the normal course of business, the bank 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 hedge transactions like interest rate swaps with various clients
- Loans or Borrowing

Loans to key management and related parties for the year ended 31 December 2022

	2022 Aggregate amount outstanding UShs '000	Interest Rate	Status Performing or Non-performing	Facility
Directors	2,376,950	7.5%-38%	Performing	Loans and advances
Non-Executive Directors	2,450,596	7.5%-38%	Performing	Loans and advances
Executive Officers	1,313,165	7.5%-38%	Performing	Loans and advances
Credit extensions to individual affiliates	58,046	18%-19.5%	Performing	Loans and advances
Total	**6,198,757**			

No specific impairment has been recognised in respect of loans advanced to related parties (2021: nil).

Deposits with key management and related parties for the year ended 31 December 2022

Names of related Party	2022 Aggregate Amount Outstanding UShs '000	Facility
Directors	3,234,473	Deposit
Executive Officers	13,988,915	Deposit
Credit extensions to related companies		
Uganda Breweries Limited	20,312,882	Deposit
Total	**37,536,270**	

Loans to key management and related parties for the year ended 31 December 2021

	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 Ltd	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 (2021: nil).

Deposits with key management and related parties for the year ended 31 December 2021

Names of related Party	2021 Aggregate amount outstanding UShs '000	Facility
Directors	4,984,037	Deposit
Executive Officers	6,432,943	Deposit
Credit extensions to related companies		
Uganda Breweries Ltd	6,181,299	Deposit
Total	17,598,279	

Companies affiliated to directors and key management are Uganda Breweries Limited (2021; Uganda Breweries Limited). 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	2022 UShs'000	2021 UShs'000
Interest income from loans with key management	599,371	347,470
	599,371	**347,470**
Key management compensation		
Salaries and other short-term employment benefits	15,119,249	11,947,596
Post-employment benefits	1,989,829	1,657,777
	17,109,078	**13,605,373**
Directors remuneration		
Directors' fees	538,293	534,667
Other emoluments included in key management compensation	4,126,293	3,612,012
	4,664,586	**4,146,679**

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:

	31 December 2022 Option price range (ZAR)	31 December 2022 Number of options
Options outstanding at beginning of the period	-	**3,500**
Transfers		
Lapsed		
Exercised	-	**(3,500)**
Options outstanding at end of the period	-	-

There were no share options exercised in 2022 (2021: ZAR 131.30)

Options granted to employees that had not been exercised as at 31 December 2022:

Number of ordinary shares (ZAR)	Option price range	Weighted average price (ZAR)	Option expiry period
			Year to 31 December 2022
There were no options granted to employees as at 31 December 2022			

Number of ordinary shares (ZAR)	Option price range	Weighted average price (ZAR)	Option expiry period
	0		**Year to 31 December 2021**

Equity Growth Scheme	Appreciation right price range (ZAR)	31 December 2022	Number of rights 31 December 2021
Rights outstanding at beginning of the period		-	**44,501**
Transfers		-	**(44,501)**
Rights outstanding at end of the period			

Shares Appreciation Right Scheme (SARP)

The SARP is a long-term incentive which was introduced during 2021, 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 2022	2021
SARP			
Units outstanding at beginning of the year		41,790	213,417
Transfers		(28,325)	(171,627)
Granted		-	-
Rights outstanding at the end of the year		13,465	41,790

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 2022.

Number of rights	Option price range (rand)	Weighted average price (rand)	Option expiry period
13,465	182.43	182.43	Year to 31 December 2023

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 utilized for 2021.

Cash settled deferred bonus scheme (CSDBS)

All employees granted an annual performance award over a threshold and who are in employment in a group entity 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 currency, 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. The final pay-out is determined with reference to the SBG share price on the vesting date.

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The following table shows cash settled deferred bonus scheme as at 31 December 2022.

			2022					
Currency	**Weighted average fair value at grant date**	**Expected life at grant date (years)**	**Opening balance**	**Granted**	**Exercised**	**Transferred between group companies**	**Forfeited**	**Outstanding**
GHS	GHS152.64	2.51	-	-	-	-	-	-
GBP	GBP152.64	2.51	-	427	(219)	-	-	208
KES	Kes152.64	2.51	(22,390)	18,069	(3,339)	23,380	-	15,720
NAD	NAD152.64	2.51	(580)	-	(1,879)	3 706		1,247
UShs	UShs152.64	2.51	(10,956 712)	10,967 747	(6,847,778)	25,909,622	86,715	19,159,594
NGN	₦52.64	2.51	175,018	160,168	(101,684)	51,158	-	284,660
ZAR	ZAR152.64	2.51	16,112	-	5,393	(15,396)	-	6,110

			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**
GHS	GHS152.64	2.51	-	-	-	-	-	-
KES	Kes152.64	2.51	-	-	(2,199)	(20,191)	-	(22,390)
NAD	NAD152.64	2.51	-	-	(1,784)	1,204	-	(580)
UShs	UShs152.64	2.51	-	8,479,776	(6,417,621)	(12,369,722)	(649,145)	(10,956,712)
NGN	₦52.64	2.51	-	125,751	(74,593)	123,860	-	175,018
ZAR	ZAR152.64	2.51	-	32,109	(17,540)	1,543	-	16,112

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 3.1 billion (2021: UShs 2.3 billion) and the amount charged for the period was UShs 768 million (2021: UShs 1.3 billion).

	Units	
	31 December 2022	**31 December 2021**
Reconciliation		
Units outstanding at beginning of the year	7,368	8,869
Granted	-	3,793
Exercised	304	(3,555)
Lapsed	-	-
Transfers	(4,734)	(1,739)
Units outstanding at end of the year	2,938	7,368
Weighted average fair value at grant date (R)	-	-
Expected life (years)	-	-

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	
	31 December 2022	**31 December 2021**
Reconciliation		
Units outstanding at beginning of the year	62,820	82,300
Granted	-	37,100
Exercised	-	-
Transfers	(37,797)	(46,936)
Lapsed	10,158	(9,644)
Units outstanding at end of the year	**35,181**	**62,820**
Weighted average fair value at grant date (R)	-	-
Expected life at grant date (years)	-	-

38. Interest rate benchmarks and reference interest rate reform

The Bank has several LIBOR linked contracts that extend beyond 2022. The Bank ceased booking new LIBOR linked exposures from 1 October 2021, apart from very limited circumstances to align with industry guidance and best practice. The new exposures 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

Year ended 31 December 2022	GBP LIBOR UShs'000	USD LIBOR UShs'000	EUR IBOR UShs'000	Not subject to IBOR reform UShs'000	Total UShs'000
Derivative assets	-	54,049,007	-	57,276,010	111,325,017
Gross loans and advances	-	224,564,738	-	4,310,167,926	4,534,732,664
Total assets recognized on the balance sheet subject to IBOR reform	**-**	**278,613,745**	**-**	**4,367,443,936**	**4,646,057,681**
Derivative liabilities	-	(54,049,007)	-	(95,033,351)	(149,082,358)
Deposits and debt funding	-	-	-	(6,273,349,337)	(6,273,349,337)
Subordinated debt	-	(75,931,416)	-	-	(75,931,416)
Total liabilities recognized on the balance sheet subject to IBOR reform	**-**	**(129,980,423)**	**-**	**(6,368,382,688)**	**(6,498,363,111)**
Off balance sheet items	-	2,586,021,706	-	6,429,592,881	9,015,614,587
Total off balance sheet exposures subject to IBOR reform	**-**	**2,586,021,706**	**-**	**6,429,592,881**	**9,015,614,587**
Year ended 31 December 2021					
Derivative assets	-	70,852,477	-	58,311,564	129,164,041
Loans and advances	-	1,348,217,698	-	3,654,680,722	5,002,898,420
Total assets recognized on the balance sheet subject to IBOR reform	**-**	**1,419,070,175**	**-**	**3,712,992,286**	**5,132,062,461**
Derivative liabilities	-	(70,271,574)	-	(134,789,930)	(205,061,504)
Deposits and debt funding	-	(200,727,889)	-	(5,695,390,391)	(5,896,118,280)
Subordinated debt	-	(71,753,914)	-	-	(71,753,914)
Total liabilities recognized on the balance sheet subject to IBOR reform	**-**	**(342,753,377)**	**-**	**(5,830,180,321)**	**(6,101,179,784)**
Off balance sheet items	-	3,836,147,683	-	4,250,152,761	8,086,300,444
Total off balance sheet exposures subject to IBOR reform	**-**	**3,836,147,683**	**-**	**4,250,152,761**	**8,086,300,444**

39. Statement of cash flows notes

	2022 UShs' 000	2021 UShs' 000
Reconciliation of net income before taxation to cash flows from operating activities		
Profit before income tax	**494,265,810**	359,641,638
Adjusted for:		
- Depreciation - property & equipment	**34,424,671**	33,808,790
- Amortisation of intangible assets	**15,162,264**	15,041,404
- Loss on disposal of fixed assets	**(324,179)**	(60,048)
- Loan impairment Charges	**87,636,878**	74,908,872
Interest in suspense released on cured loans and advances	**(1,941,847)**	(3,154,415)
Modification gains and losses	**1,262,145**	6,862,338
- Changes in provisions and accruals	**56,289,096**	(28,502,776)
Cash flows from operating activities before changes in operating assets & liabilities	**686,774,838**	458,545,803
Income tax paid	**(113,996,761)**	(82,649,195)
(Increase)/decrease in operating assets		
Increase in derivative assets	**17,839,025**	31,753,085
Increase in financial investments	**(359,837,116)**	(744,556,343)
(Increase)/decrease in trading assets	**(542,724,401)**	501,219,810
Increase in cash reserve requirement	**(117,610,000)**	(60,350,000)
Increase in loans and advances to customers	**(497,751,035)**	(181,875,005)
Decrease/(increase) in other assets	**54,803,681**	(162,613,456)
	(1,445,279,846)	(616,421,909)
Increase/(decrease) in operating liabilities		
Increase in customer deposits	**393,772,650**	247,211,676
Decrease in deposits and balances due to other banks	**(12,982,254)**	(630,402,329)
Decrease in deposits from group companies	**(54,843,741)**	(127,639,131)
Decrease in derivative liabilities	**(55,979,146)**	(24,671,907)
(Decrease)/increase in other liabilities	**(87,875,127)**	278,532,005
	182,092,382	(256,969,686)
Net cash used in operating activities	**(690,409,387)**	(497,494,987)
Cash flows from investing activities		
Purchase of property and equipment	**(16,820,977)**	(7,784,352)
Purchase of computer software	**-**	(3,887,241)
Proceeds fom sale of property and equipment	**335,636**	60,296
Net cash used in investing activities	**(16,485,341)**	(11,611,297)
Cash flows from financing activities		
Principle lease payments	**(10,436,780)**	(25,030,647)
Dividends paid to shareholders	**(110,000,000)**	-
Transactional cost on bonus issue	**(1,537,803)**	-
(Decrease)/ increase in borrowed funds	**(127,871,838)**	121,849,918
Increase/(decrease) in subordinated debt	**4,177,502**	(1,268,611)
Net cash used financing activities	**(245,668,919)**	95,550,660

40. Retained earnings

This comprises prior period retained profits, plus profit for the year (less)/plus appropriation of statutory risk reserve less proposed dividends.

41. Subsequent events

There were no significant subsequent events to report

List of acronyms

ABC	Agent Banking Corporation
ACCA	Association of Certified Chartered 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
BCC	Business and Consumer Clients
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
CHNW	Consumer and High Networth Customers
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 or Loss
GRI	Global Reporting Initiatives

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
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

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

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.

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