2021

I&M BANK (UGANDA) LIMITED
ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

Committed to our customers' success.
Driven by sustainable and efficient growth.

“

OVERALL, OUR MARKETS REMAINED VERY COMPETITIVE, WITH PRICES COMING UNDER PRESSURE ACROSS ALL SEGMENTS

Contents

ABBREVIATIONS

In this document we have used the following abbreviations;

ACL	- Allowance for Credit Losses
ALCO	- Assets and Liabilities Committee
CAPEX	- Capital expenditure
CEO	- Chief Executive Officer
CMA	- Capital Markets Authority
CRMC	- Credit Risk Management Committee
CSR	- Corporate Social Responsibility
EAD	- Exposure at default
ECL	- Expected credit losses
ED	- Executive Director
FVOCI	- Fair value through other comprehensive income
FVTPL	- Fair value through profit and loss
GDP	- Gross Domestic Product
IAS	- International Accounting Standards
ICT	- Information and Communication Technology
IFRSs	- nternational Financial Reporting Standards
Ushs	- Uganda Shillings
LGD	- Loss given default
OCI	- Other Comprehensive Income
OPEX	- Operating expense
PBT	- Profit before tax
PD	- Probability of default
PP&E	- Property and Equipment
SICR	- Significant increase in credit risk
SPPI	- Solely payments of principal and interest
ISA	- International Statndards on Auditing
CPA	- Certified Public Accountant
SME	- Small and Medium Enterprises
N/A	- Not Applicable

OPERATING ENVIRONMENT

The Ugandan economy continued its steady recovery from the effects of the COVID-19 pandemic in 2021, with GDP growing by 3.4%, up from 2.9% in the previous year. This was mainly driven by increased consumption and a recovery in public investment.

The Ugandan shilling appreciated by 1.3% in 2021, reducing the cost of imports as businesses re-established themselves as pandemic-related restrictions eased.

The COVID-19 restrictions presented a challenge to the operating environment of many businesses, affecting cash flows and adjusting business models. This had a knock-on effect on our portfolio but, leveraging the support allowed under the Bank of Uganda's COVID-19 credit relief guidelines, the Bank helped to cushion the impact on our customers and allowed us to partner with them on the journey to recovery.

CHAIRMAN'S STATEMENT

2021 IN REVIEW

The past year has been challenging, but also fulfilling, and I am proud of the many milestones that we achieved in 2021, especially welcoming a new majority shareholder in the Bank and its subsequent rebranding to I&M Bank Uganda. It has been a period of consolidation and realignment for greater growth, with other note achievements during the year being:

- We strengthened the Bank's capital position to meet the new Bank of Uganda capital buffer requirements and deepened our ability to support business growth across the region. We leveraged the Group's cross-border proposition to serve clients beyond our local borders, delivering over Ugx 22.6 billion in funding to our customers in the process.
- We established a strong leadership team to steer the Bank and turn around its performance in line with the iMara 2.0 strategy adopted across the I&M Group.
- We re-committed ourselves to serving our customers better, launching several innovative products and undertaking several processes and projects to achieve this. To this end, we also launched the Pamoja programme; a cultural transformation drive that will align our staff values, behaviour and actions to the I&M way. This is a long-term initiative that is run across all Group subsidiaries.
- We enhanced our digital offering and consolidated our distribution network by repositioning some of our service centres (in micro markets) into locations that will drive better customer service and deliver our products in a more efficient and effective manner. We will continue to build on the Group infrastructure to drive efficiency and to offer seamless services to our customers.

We consistently monitor and listen to our customers to understand their ever-changing needs in order to design and offer more suitable, convenient, and cost-effective services. We thank you for your support and look forward to growing together into the future

Suleiman I. Kiggundu, Jr.
BOARD CHAIRPERSON

Total Net Revenue
UGX 58 billion
3%

Total Assets
UGX 708 billion
4%

Operating Expenses
UGX 110.3 billion
26%

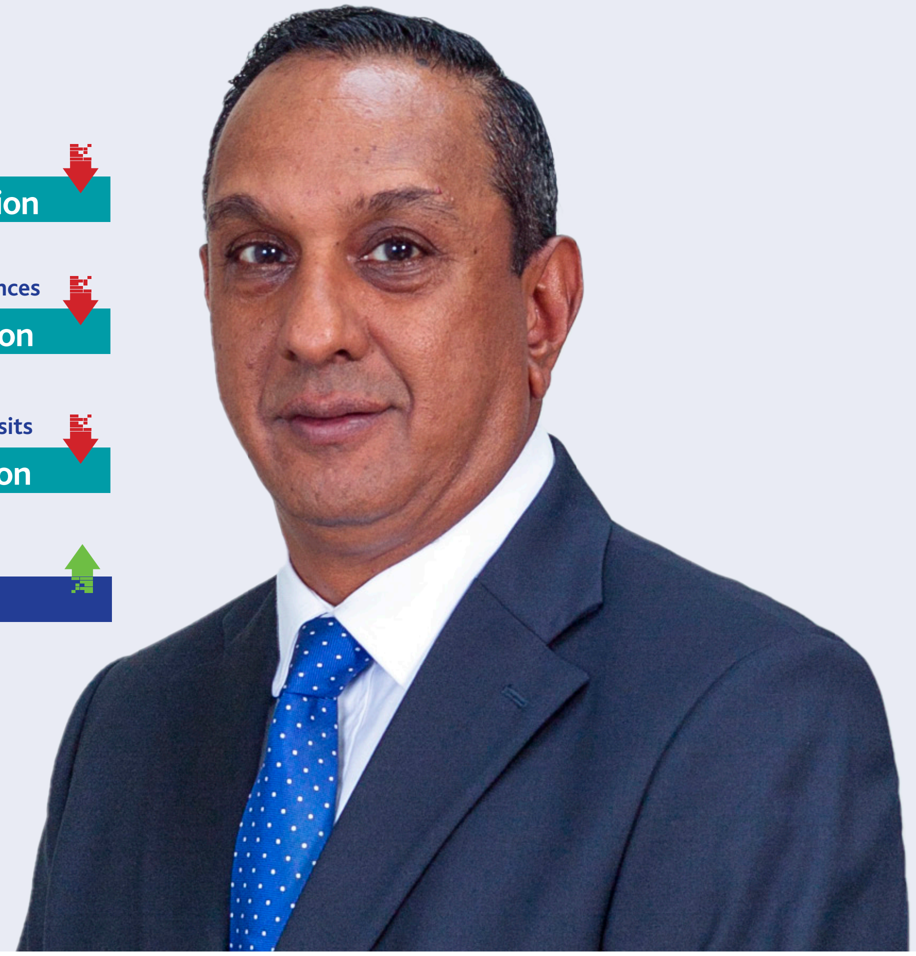
Loans and Advances
UGX 197 billion
25%

Impairment (Underlying)
UGX 4.4 billion
74%

Customer Deposits
UGX 4.4 billion
5%

Capital (CET1)
15.7%
800bps

Capital (CET1)
15.7%
800bps



MD/CEO'S STATEMENT

FINANCIAL PERFORMANCE IN 2021

We committed to a set of actions with a view of creating a base for growth.] As a result of disciplined execution, we delivered stability in our income, lower costs, and a higher quality balance sheet. We still have huge hurdles to overcome and further improvement in financial performance is required.

Income of Ugx 58.1bn grew by 3%, year-on-year despite the tough macro-economic environment exacerbated by the Covid-19 pandemic and heightened credit risk environment.

Operating expenses, excluding loan impairments, were 26% lower, which marked a second successive period of year-on-year reduction, creating capacity to increase investment in the coming year.

Overall credit quality improved despite posting Ugx 45.7bn [of or in what?], with the underlying loan impairment in the on-going business at Ugx 4.4bn, improving by 74% year-on-year.

Our capital position remains re-enforced with CET1 capital ratio 15.7% up by over 800 basis points, primarily due to injection of capital by the shareholders.

Conclusion

We have made progress in transforming the Bank and remain committed to continuously improve our customer service experience and product offering while generating strong returns to our shareholders and positioning our people for growth.

I would like to thank our clients for the partnership over the years, the Board for its support and guidance and my colleagues for the continued dedication and commitment.

We are on your side.

Kumaran Pather
MANAGING DIRECTOR & CEO

CORPORATE INFORMATION

BOARD OF DIRECTORS

NAME	DESIGNATION	NATIONALITY	STATUS
Mr. Suleiman Kiggundu	Chairman	Ugandan	Appointed in September 2021
Mr. Chris Low	Non-Executive Director	British	Appointed in March 2021
Mr. Bhartesh Shah	Non-Executive Director	Kenyan	Appointed in September 2021
Mr. Sam Ntulume	Executive Director	Ugandan	Appointed in November 2021
Mr. Ketan Morjaria	Non-Executive Director	Ugandan	-
Mr. Francis M. Byaruhanga	Non-Executive Director	Ugandan	-
Mr. Joram Kahenano	Non-Executive Director	Ugandan	-
Mr. Kumaran Pather	Managing Director	South African	-
Mr. Michael Cook	Chairman	British	Resigned on 30 April 2021
Mr. Hemen Shashikant Shah	Non-Executive Director	American	Resigned on 30 April 2021
Mr. Zhong Shuang Quan	Non-Executive Director	Chinese	Resigned on 30 April 2021
(Alternative: Mr. Jay Karia)			

COMPANY SECRETARY
Nicholas Ecimu
C/O Sebalu & Lule Advocates
Certified Public Secretaries (Uganda)
P.O. Box 2255, Kampala

COMPANY LAWYER
Shonubi Musoke & Company Advocates
SM Chambers
Plot 14, Hannington Road
P.O. Box 3213, Kampala

AUDITOR
KPMG Uganda Certified Public Accountants
3rd Floor Rwenzori Courts
Plot 2 & 4A Nakasero Road
P. O. Box 3509, Kampala, Uganda

REGISTERED OFFICE
Plot 6 & 6A, Kampala Road
P. O. Box 3072, Kampala

CORRESPONDENT BANKS
1. I&M Bank (Kenya) Limited
2. First Rand Bank LTD
3. Standard Chartered Bank NY
4. Standard Chartered Bank Frankfurt
5. Standard Chartered Bank Tokyo
6. Citibank New York

BRANCHES
Main branch
Plot 6 & 6A, Kampala Road
P. O. Box 3072, Kampala

Acacia Mall Branch
Plot 16/17, Wampewo Avenue

Arua Branch
Plot 12, Avenue Road
Arua Municipality

Bweyogerere Branch
Plot 3964-3965, Jinja Road

Entebbe Airport Branch
Entebbe International Airport
P. O. Box 787, Entebbe

Entebbe Town Branch
Plot 29, Kampala Road
P. O. Box 787, Entebbe

Garden City Branch,
1st Floor, Garden City Mall
Yusuf Lule Road, Kampala

Jinja City Branch
Plot 8 Scindia Road
P.O. Box 368, Jinja

Kabalagala Branch
Plot 1900, Block 15, Nsambya
Kabalagala, Ggaba Road, Kampala

Kawempe Branch
Plot 78 Bombo Road
P.O. Box 7839, Kampala

Kikuubo Branch,
Grand Corner House,
P.O. Box 3072 Kampala

Kololo Branch,
Nyonyi Gardens
P.O. Box 36336, Kampala

Ntinda Service Centre,
Capital Shoppers Mall
P.O. Box 3072, Kampala

William Street Branch
Plot 44, William Street
Kampala

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their report together with the audited financial statements of I&M Bank (Uganda) Limited (the "Bank") or ("the Company") for the year ended 31 December 2021.

1. Principal Activities

The principal activities of the Bank are the provision of commercial banking and related financial services.

2. Results/Business Review

The results for the year,details of which are set out on page 36, are as follows:

	2021 Ushs'000	2020 Ushs'000
Loss before income tax	(36,449,295)	(26,902,254)
Income tax credit	13,611,438	4,209,333
Loss for the year after tax	(22,837,857)	(22,692,921)

Net loss closed at UShs 22.8 billion, which is a 0.6% increase from last year due to prudent position taken on loan provisions to cater for effects of COVID-19 facing the world and risk management of legacy relationships.

The principal risks and uncertainties facing the Bank as well as the risk management framework are outlined in Note 5 of the financial statements.

The ongoing COVID-19 pandemic has caused major disruptions to community health and economic activity with wide-ranging impacts across many business sectors in Uganda and globally. Additionally, many of the Bank's customers have been impacted by the COVID-19 pandemic. As a result, during the year the Bank continued to provide support, through existing relief packages for retail and commercial customers in Uganda, including the option of an up to six-month loan repayment deferral. The Bank is continuing to work with customers impacted by COVID-19 to restructure loans and in some circumstances will provide an extension to loan repayment deferrals for a further period.

Regulators and governments have implemented a broad range of measures to promote financial stability in response to COVID-19. Those measures implemented by governments and regulators in Uganda include financial assistance packages for homeowners and businesses, liquidity and funding initiatives to strengthen the banking system, and regulatory changes to capital requirements.

The pandemic has also increased the estimation uncertainty in the preparation of the financial statements. The Bank has made various accounting estimates for future events in the financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2021 and that the Bank believes are reasonable under the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Bank.

Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in the financial statements.

3. Dividend

The directors do not recommend payment of any dividend for the year 2021 (2020-Nil).

4. Acquisitions & Dispositions

i. **Change in ownership:**
I&M Group PLC acquired 90% shareholding from 8 miles LLP and Morka Holdings Limited effective April 30, 2021 and became the majority shareholder of the Bank. The details of the Bank's shareholding structure are disclosed in note 32(a) to the financial statements.

ii. **Losing control over a subsidiary during the reporting period:**
On April 30, 2021, the Bank disposed of all its equity interest, that is 80%, in Equity Stock Brokers limited. The consideration was received fully in cash amounting to Ushs 487,422,000. The Bank recognised a gain of Ushs 55,307,707 relative to this disposition.

iii. **On deconsolidating the subsidiary the Bank did the following;**

- Derecognized the assets and liabilities of the subsidiary at their carrying amounts at the date when control was lost,
- Recognised the fair value of the consideration received from the sale of Equity Stock Brokers,
- Transferred directly to retained earnings the amounts recognised in other comprehensive income in relation to the subsidiary, and
- Recognised any resulting difference as a gain or loss in profit or loss.

5. Directors

The Directors of the Company who served during the year and up to the date of this report are set out on page 2. The Company provides professional indemnity for all the Directors.

6. Relevant Audit Information

The Directors in office at the date of this report confirm that:

i. There is no relevant audit information of which the Company's auditor is unaware; and

ii. Each director has taken all the steps that they ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

7. Auditor

The auditor, KPMG, was appointed during the year and being eligible for re-appointment has expressed willingness to continue in office in accordance with section 167(2) of the Companies Act, 2012 Laws of Uganda and Section 62(1) of the Financial Institutions Act 2004 (as amended 2016) Laws of Uganda.

8. Approval of Financial Statements

The financial statements were approved and authorised for issue at a meeting of the Directors held on 22 March 2022.

BY ORDER OF THE BOARD

Secretary
Nicholas Ecimu
C/O Sebalu & Lule Advocates
Kampala

STATEMENT ON CORPORATE GOVERNANCE

Governance Framework

The Board has the ultimate responsibility to ensure that the Bank conducts its business with high standards of integrity, transparency and accountability across all levels. The corporate governance framework, established by the Board of Directors includes a robust management structure built on a platform of stringent internal control and pre-approved policies, practices and procedures to deliver sustainable value to its shareholders, whilst remaining focused on its responsibility to society at large.

The Board is fully committed to high standards of corporate governance, which include embracing the following principles:

- To observe high standards of ethical and moral behaviour;
- To act in the best interests of shareholders;
- To ensure that the Company acts as a good corporate citizen;
- To recognize the legitimate interests of all stakeholders;
- To disclose accurate, adequate and timely information so as to allow stakeholders make informed decisions;

The Board of Directors - Roles & Responsibilities

The Board has put in place the necessary mechanisms to enable it effectively discharge its roles and responsibilities.

The Bank has in place a Board Charter which defines the governance parameters within which the Board exists and operates. It also sets out specific responsibilities to be discharged by the Board, its committees and directors collectively, as well as certain roles and responsibilities binding upon the directors as individuals.

The Board ensures that appropriate steps are taken to protect and enhance the value of the assets of the Bank in the best interests of its shareholders and other stakeholders. This entails the approval and oversight of the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values, as well as the oversight of Senior Management. Further, the Board ensures that at the heart of the organisation, there is a culture of honesty, integrity and excellent performance.

The Board meets quarterly to review overall performance and progress on significant initiatives. To facilitate the discharge of its roles and responsibilities, the Board develops an annual work plan and calendar of meetings for the year to guide its activities for the year.

Board Operations & Controls

Board of Directors: I&M Bank (Uganda) Limited has a broad-based Board of Directors. The Board functions either as a full board or through various committees constituted to oversee specific operational areas. The Board has constituted six committees. These are the Audit Committee, Risk Committee, Asset & Liabilities Committee, Credit Committee, Board Strategy and Investments Committee and Board Nominations Reward and Governance committee.Three of these Board Committees are constituted and chaired by non-executive directors and three by Independent Non Executive directors. As at 31 December 2021, the Board of Directors consisted of 8 members.

a. Audit Committee

This committee is chaired by an independent Non-Executive Director. The committee meets every quarter and also comprises:

- Mr. Joram Kahenano
- Mr. Francis M. Byaruhanga
- Mr. Bhartesh Shah

The Audit Committee informs the Bank and the Board of any risks, suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

b. Asset & Liability Committee

ALCO is headed by a Non-Executive Director and meets quarterly. It also comprises the following:

- Mr. Bhartesh Shah
- Mr. Ketan Morjaria
- Mr. Francis Byaruhanga

The overall objective of the Asset and Liability Committee is to maximize earning and return on capital with acceptable and controllable levels of the main treasury risks i.e. liquidity, interest rate, foreign exchange and concentration risks. The assets and liabilities of the Bank shall be managed to maximize shareholder value, to enhance profitability and increase capital, and to protect the Bank from any excessive financial risks arising from changes in interest rates.

c. Board Nomination, Rewards and Governance Committee

This committee decides on recruitment at senior levels based on responsibilities and remuneration of management staff and directors and it meets quarterly. The committee is headed by a Non-Executive Director and comprises:

- Mr. Ketan Morjaria
- Mr. Francis M. Byaruhanga
- Mr. Chris Low

The Committee is responsible for ensuring that the Board remains balanced, both in terms of skills and experience, and between Executive and Non-Executive Directors. It is authorized to lead the process for appointments to the Board, and make recommendations to the Board, ensuring there is a formal, rigorous and transparent procedure.

d. Risk committee

This committee is headed by an independent Non-Executive Director and meets quarterly. It is comprised of the following members:

- Mr. Joram Kahenano
- Mr. Bhartesh Shah
- Mr. Chris Low

The committee is granted the authority for (i) oversight and advice to the board in relation to the current and potential risk exposures of OBL; (ii) oversight of the Bank's Risk Management Framework; (iii) the future risk strategy of the bank, including strategy for capital and liquidity management and the determination of risk appetite and tolerance, and (iii) promoting a risk awareness culture in the bank, alongside established policies and procedures.

e. Credit Committee

The Board Credit Committee is chaired by an independent Non-Executive Director. It meets quarterly and comprises:

- Mr. Francis M. Byaruhanga
- Mr. Chris Low
- Mr. Ketan Morjaria

The Credit Committee seeks to ensure that the quality of the Bank's asset book remains within acceptable parameters and that the business has an effective credit policy, consistent with regulatory requirements and prudent risk management practices.

f. Strategy and Investments Committee

The Board Strategy and Investments Committee is chaired by a Non-Executive Director. It meets quarterly and comprises:

- Mr. Chris Low
- Mr. Bhartesh Shah
- Mr. Ketan Morjaria

The overall purpose of the BSIC is to validate, oversee and monitor the implementation of the Bank's strategic projects and required investment to achieve its strategic objectives.

In addition to the above committees, there are committees on a management level comprised of senior management whose frequency of meetings is daily, weekly, monthly and quarterly.

Directors and their Benefits: During the financial year and up to the date of this report, other than as disclosed in Note 14 to the financial statements, no director has received or become entitled to receive any benefit other than directors' fees, and amounts receivable by executive directors under employment contracts and the senior staff incentive scheme.

The aggregate amount of emoluments for directors for services rendered in the financial year is disclosed in Note 14 to the financial statements.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the Bank is a party whereby directors might acquire benefits by means of acquisition of shares in or debentures of the Bank or any other body corporate.

Directors

The directors who held office during the year and up to the date of this report are indicated on page 2.

Statement of Going Concern

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

BOARD OF DIRECTORS

MR. SULEIMAN KIGGUNDU
NON-EXECUTIVE CHAIRMAN

Mr. Suleiman Kiggundu was educated as an engineer and economist at Yale University. Over the past 25 years, he has served in senior leadership roles at various leading institutions, including Equator Bank, Equator Capital Partners, HSBC Bank plc and as the Regional Director for Africa at CDC Group plc. Suleiman also serves as a non-executive director of various companies, including GA Insurance Uganda and Kampala Hospital locally.

He also chairs CFS Group (a pan-African, advisory & capital markets-oriented financial services group).

MR. CHRIS LOW
NON EXECUTIVE DIRECTOR

Allan Christopher Michael Low is the Regional Director at I&M Group Plc. Previously Mr. Low held roles with Letshego Holdings Plc (Group CEO), National Bank of Kuwait (Deputy Head of International Banking), Standard Chartered Plc (various CEO roles in South Africa, East Africa and India and Chief Operating Officer at Korea First Bank Ltd, a subsidiary of the Group) and Goldman Sachs.

Mr. Low is a member of Institute of Chartered Accountants in England & Wales, having graduated from St Peters College, Oxford University.

MR. BHARTESH SHAH
NON-EXECUTIVE DIRECTOR

Mr. Shah's banking career spans more than 24 years having worked in senior roles at Citi Bank, Standard Chartered Bank and Equity Bank where he was the Group Chief Risk Officer and Chief Operations Officer.

Mr. Shah holds an MBA from the University of Warwick, Warwick Business School, UK and a Bachelor of Science in Banking and Finance from Loughborough University, UK.

MR. KETAN MORJARIA
NON-EXECUTIVE DIRECTOR

Ketan Morjaria is a founder and Board Member of both I&M Bank in Uganda and Credit Bank in Kenya, and a strategic shareholder in both institutions. He has wide experience in commerce and property development in Africa, the United Kingdom, and the Middle East. He has served on the boards of several successful commercial companies.

Mr. Morjaria is a member of the Institute of Chartered Accountants of England and Wales and the Institute of Certified Public Accountants of Uganda.

MR. JORAM KAHENANO
NON-EXECUTIVE DIRECTOR

Mr. Kahenano is a fellow of the Uganda Institute of Bankers and a fellow of the Chartered Institute of Bankers. He has held various director positions in the Bank of Uganda where he worked for 36 years. He was Executive Director Administration, Executive Director Operations, Director Banking, Director Foreign Exchange and Director Exchange Control among others.

He has in addition served on various Boards including Uganda Institute of Bankers, Makerere University, Mengo Hospital, Church of Uganda and Uganda Christian University. Joram is currently a trustee of Uganda Small Scale Industries.

MR. FRANCIS MAGAMBE BYARUHANGA
NON EXECUTIVE DIRECTOR

Mr. Byaruhanga holds a Masters Degree in Business Administration. He has over 25 years' experience in the areas of Management, Finance, Accounting, Procurement and Logistics Management with excellent knowledge of government and International agencies procedures and practices. His knowledge, experience and skills have earned him recognition as a management specialist, and he is regularly consulted on Public Sector Management issues.

He has over time developed and maintained professional and business relationships with a wide range of agencies and organizations within the private and public sector. He has worked with rural water and sanitation projects on an executive level and was a Director of the Road Agency Formation Unit.

KUMARAN PATHER
MANAGING DIRECTOR & CEO

Mr. Kumaran Pather joined I&M Bank (Uganda) Limited in January 2020 as Managing Director. He is a seasoned banking executive with experience in Retail Business Banking spanning over two decades across seven countries. He is reputed with building winning Banking strategies that have led to transformative business performance throughout his career. He was most recently the Retail Business Banking Director at Barclays Uganda(Now Absa). He started his banking career in South Africa before he moved to Botswana as Barclays' Retail Director. He then took on the role of Head of Retail Sales at BMI Bank in Bahrain and would later serve as General Manager, Retail Banking Services at Teba Bank in South Africa. He returned to Barclays as Retail Business Banking Director, serving in Mozambique, Tanzania, and most recently, Uganda. Kumaran holds an MBA from the University of Johannesburg and has attended Executive Leadership Programs in South Africa and at Cass Business School in London.

SAM NTULUME
EXECUTIVE DIRECTOR & CHIEF OPERATIONS OFFICER

Mr. Ntulume holds an MBA from the East & Southern Africa Management Institute (ESAMI), is a Fellow of the Association of Chartered Certified Accountants (FCCA), a Certified Public Accountant (Institute of Certified Public Accountants of Uganda) and holds a Diploma in Business Studies.

He has over 27 years' experience in business leadership and management, financial management, corporate and business reporting, risk and control, human capital management, corporate governance and strategy attained from the financial services sector, petroleum distribution & marketing sector, public sector and manufacturing sector.

MR. NICHOLAS ECIMU
COMPANY SECRETARY

Nicholas Ecimu is I&M Bank's Company Secretary. He practices with Sebalu & Lule Advocates, a premier corporate and commercial law firm, where he is a partner. Nicholas holds a Bachelor of Laws degree from Makerere University and a Post-Graduate Diploma in Legal practice from the Law Development Centre. He has previously served with the Privatization and Utility Sector Reform Project in Uganda's Ministry of Finance, Planning and Economic Development.

He is a graduate member of the Institute of Chartered Secretaries and Administrators in London. He is also a member of the Uganda Law Society and the East African Law society.

Board Operations & Controls

The Board, through the Board Nomination, Reward and Governance Committee, is responsible for nominating members to the Board and for filling vacancies on the Board that occur between annual meetings of shareholders. In considering potential directors, the Board seeks to not only identify candidates with appropriate skills, knowledge and experience to contribute to effective direction of the Bank but also ensure achievement of diversity in its composition as set out in the Board Succession Policy.

All directors receive formal letters of appointment setting out the main terms and conditions of their appointment.

Induction, Orientation & Continuous Professional Development

All new Directors are appropriately introduced to the business of the Bank and are provided with a comprehensive induction and information pack containing a brief presentation on the affairs, strategy, the governance structure & conduct of meetings, the director's duties & responsibilities, the Bank's Constitution and such other useful documents.

All directors have access to the advice and services of the Company Secretary, who is responsible for providing guidance to the Directors as to their duties, responsibilities and powers.

Directors also have access to Senior Executives to obtain information on items to be discussed at board meetings or meetings of board committees or on any other area they consider to be appropriate.

The Board and its Committees also have the authority to obtain such outside or other independent professional advice as they consider necessary to carry out their duties.

In addition the Bank organizes for Directors, up-skilling and continuous development programs in order to enhance governance practices within the Board itself and in the interest of the Bank. Tabulated below are the programs held during the year;

Program	Date
Audit & Risk Conference	13 & 14 October 2021

Board Evaluation

The Board has established a mechanism to evaluate the performance of the Board and its members with the process being reviewed and refined periodically. The review and evaluation includes; the functioning of the Board and Board committees as collective bodies, and the performance of the Chairperson, individual directors, and Company Secretary.

Board Meetings

The Board meets at least quarterly each year for scheduled meetings and on other occasions when required to deal with specific matters between scheduled meetings. Board members receive board papers well in advance of their meetings, thereby facilitating meaningful deliberations therein. Proceeds of all meetings are minuted by the Company Secretary and signed by the Chairperson of the meeting.

DIRECTORS

The 9 Directors collectively have vast experience arising from their varied backgrounds in different fields including Banking, General Management, Law, Accounting and Investment Analysis, apart from hands-on experience in various industries.

Board Attendance

The following table shows the number of meetings held during the year and the attendance of individual Directors

Name of Director	25th Jan 2021 (Q1)	10th Jun 2021 (Q2)	24 Sep 2021 (Q3)	3rd Dec 2021 (Q4)	Board Meeting Attendance 2021
Mr.Suleiman Kiggundu Jr.*	N/A	N/A	√	√	100%
Mr.Joram Kahenano	√	√	√	√	100%
Mr.Francis M. Byaruhanga	√	√	√	√	100%
Mr.Chris Low	√	√	√	√	100%
Mr.Ketan Morjaria	√	√	√	√	100%
Mr.Bhartesh Shah *	N/A	N/A	√	√	100%
Mr.Nicholas Ecimu	√	√	√	√	100%

√ - Attended | **X** - Not Attended | **N/A** - Either resigned or not yet appointed to Board

Where a director did not attend a Board or Board Committee meeting, an acceptable apology had been received by the Chairman well in advance of the scheduled meeting.
* Suleiman and Bhartesh were attendees for Q1 and Q2 meetings pending Bank of Uganda approval. Attendence as members was effective at the Q3 board meeting.

BOARD COMMITTEES

In order to assist in discharging its responsibilities, the Board has set up several Board Committees and Management Committees to assist in discharging its responsibilities. Tabulated below are Board Committees, their composition and membership, functions and the frequency of meetings:

	Board Audit Committee	Board Risk Management Committee	Board Credit Committee	Board Assets & Liabilities Committee	Board Strategy & Investments Committee	Board Nomination, Reward & Governance Committee
Chairperson	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	Non-Executive Director	Non-Executive Director	Non-Executive Director
Members (Including Chairman)	2 Independent Non-Executive Directors. 1 Non-Executive Director **Attendees** Head of Internal Audit Chief Financial Officer Head of Treasury Company Secretary (Secretary) **Invitees:** Group Chief Audit Executive ED/COO Any senior manager whose department is audited in the period	1 Independent Non-Executive Director 2 Non–Executive Directors **Attendees** Company Secretary (Secretary) **Invitees:** Managing Director/CEO Executive Director/COO Head of Risk Head of Legal & Compliance I&M Group Chief Risk Officer I&M Group CISO	1 Independent Non-Executive Director 2 Non–Executive Directors **Attendees** Company Secretary (Secretary) **Invitees:** Managing Director/CEO Executive Director/COO Head of Credit I&M Group General Manager Credit	1 Independent Non-Executive Director 2 Non-Executive Directors **Attendees** Company Secretary (Secretary) **Invitees:** Managing Director/CEO Executive Director/COO Head of Treasury Chief Financial Officer	3 Non-Executive Directors **Attendees** Company Secretary (Secretary) **Invitees:** Managing Director/CEO Executive Director/COO Chief Financial Officer I&M Group Assistant GM, Strategy & Development	1 Independent Non-Executive Director 2 Non-Executive Directors **Attendees** Company Secretary (Secretary) **Invitees** Managing Director/CEO Executive Director/COO Head Human Resources I&M Group GM, Human Resources

	Board Audit Committee	Board Risk Management Committee	Board Credit Committee	Board Assets & Liabilities Committee	Board Strategy & Investments Committee	Board Nomination, Reward & Governance Committee
Frequency Of Meetings	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Main Functions	The Board Audit Committee (BAC) will assist the Board in providing structured, systematic oversight of the organisations governance, risk management and internal control practices. The committee assists the board and management by providing advice and guidance on the adequacy of the organisations initiatives for: Values and ethics Governance structure Risk management Internal control framework Oversight of the internal audit activity, external auditors and other providers of assurance. Financial statements and public accountability reporting. In broad terms, the audit committee reviews each of the items noted above and provides the board with independent advice and guidance regarding the adequacy and effectiveness of management's practices and potential improvements to these practices.	The BRC shall, through the Risk Management Function, be responsible for translating the Risk Management framework established by the Board of Directors into specific policies, processes and procedures that can be implemented and verified within the different business units. The BRC shall, through the Risk Management Function, draw up a comprehensive Risk Management Process which shall, inter alia, include the following: Clear assignment of roles & responsibilities of the various functions involved Identification, analysis and evaluation of various loss exposures and risks Identification of the measurement criteria for each of these risks / loss exposures Determination and application of the appropriate risk management technique System for monitoring and reviewing of various risks Process flow for risk information Structure of reporting to Board and other external authorities.	The Board Credit Committee will assist the Board in fulfilling its responsibilities by performing the following functions: Review of the overall lending policy of the Bank. Deliberate and consider loans applications beyond the discretionary limits of Credit Risk Management Committee. Review lending decisions by Management Credit Committee. Direct, monitor, review and consider all issues that may materially affect the present and future quality of the institution's credit risk management. Delegate and review lending limits to the sanctioning arms of the institution. Ensure compliance with Financial Institutions Act (2004) as amended and all regulations thereto on Risk Classification of Assets and Provisioning. Conduct loan reviews independent of any person or committee responsible for sanctioning credit.	The BALCO will oversee the implementation of an effective process for managing the Bank's interest rate, liquidity, and market risks relating to the Bank's balance sheet and associated activities, including the adoption of policies, risk limits and capital levels. The overall objective is to maximize earning and return on capital with acceptable and controllable levels of the main treasury risks i.e. liquidity, interest rate, foreign exchange and concentration risks. The assets and liabilities of the Bank shall be managed to maximize shareholder value, to enhance profitability and increase capital, and to protect the Bank from any excessive financial risks arising from changes in interest rates.	The overall purpose of the BSIC is to validate, oversee and monitor the implementation of the Bank's strategic projects and required investment to achieve its strategic objectives Review, before consideration and approval by the Board of Directors, the Bank's strategic plan which has been devised in line with the Bank's vision, mission and objectives whilst taking into consideration business opportunities, associated risks and any applicable external development and factors such as changes in the economy, competition and technology.	The Board Nomination, Reward & Governance Committee has delegated responsibility from the Board to undertake structured assessment of candidates for membership of the Board and Executive Management, and establishment of an appropriate framework for remuneration of the Board and Executive Management members, in line with clearly defined remuneration principles.

Management Committees

Tabulated below are Management Committees, their composition and membership, functions and the frequency of meetings

	Executive Committee	Management Risk Committee	Management Assets & Liabilities Committee	Management Credit Committee	Management IT & Operations Committee	Management HR Committee
Chairman	MD/CEO	ED/COO	MD/CEO	MD/CEO	ED/COO	MD/CEO
Members	Managing Director/CEO Executive Director/COO Chief Financial Officer Chief Business Officer Head of Legal & Compliance (Secretary) Head of Treasury Head of Operations Head of Human Resources Head of Risk Head of Products & Channels Head of Marketing & Corporate Communications Head of IT	Managing Director/CEO Executive Director/COO Chief Financial Officer Chief Business Officer Head of Legal & Compliance Head of Risk (Risk) Chief Business Officer Head of Products & Channels Head of Human Resources Head of IT Head of Operations Head of Marketing & Corporate Communications	Managing Director/CEO Executive Director/COO Chief Financial Officer Head of Treasury Chief Business Officer Head of Products & Channels Head of Risk	Managing Director/CEO Executive Director/COO Head of Credit Chief Financial Officer Credit Manager Head of Risk Head of Legal & Compliance **Invitees** Chief Business Officer Head of Products & Channels Manager Credit Analysis Team Leader Recoveries & Special Assets	Executive Director/ COO Head of IT Head of Operations Manager Projects Manager IT Risk Head of Products & Channels Chief Business Officer	Managing Director/ CEO Executive Director/ COO Head of HR Manager Talent, Learning & Development (Secretary) Head of Operations Head of Products & Channels
Frequency of meetings	Monthly	Monthly	Monthly	Monthly	Monthly	Quarterly

	Executive Committee	Management Risk Committee	Management Assets & Liabilities Committee	Management Credit Committee	Management IT & Operations Committee	Management HR Committee
Main functions	The purpose of the EXCO is to provide leadership and direction in the development of the Bank's business, including overseeing risk acceptance criteria in line with the vision, values and aspirations of the Bank. To conduct a periodic review of the Bank's strategic and operational plans, performance of the business for the purposes of realising the strategy and ensure that senior management and staff generally have a clear understanding of, and total commitment to, the agreed strategy and annual business plans; and that this is reflected in individual business plans, budgets and financial scorecards, and performance objectives.	Evaluate the firm's risk profile and overall level of risk appetite on a periodic basis. Review and recommend all risk management policies like credit, market, concentration, liquidity, operational, counterparty, anti-money laundering and compliance etc. and take ownership of the Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment Process (ILAAP). Review and measure the Bank's residual risk and recommend actions to manage it within acceptable limits. Review the indicative capital requirements, consider the overall risk limits and consider how they affect the risk profile of the firm.	Establish the strategies, organisation, method of analysis and system support for the effective management of the assets and liabilities of the Bank. Review and recommend to the Board the bank's Individual Liquidity Adequacy Assessment Process (ILAAP) and liquidity policy for approval. Set limits for liquidity and market risk within the banks overall risk appetite and ensure its implementation. Monitor the proportion of loans and fixed income securities in assets and their corresponding income and establish strategies on the loans and securities portfolios. Review and monitor the maturity and re-pricing mismatches. To discuss the overall performance, balance sheet and profit & loss account, and the trend of important financial ratios, and the overall levels of risk undertaken by it. To approve interest rates on assets and liabilities products Oversee market exposures for foreign exchange to ensure that limits are maintained. Monitor compliance with treasury limits and approve counterparties for treasury operations Monitor interest rate exposures and consider the results of interest rate stress tests. Review the funding and liquidity profile, the bank's ability to borrow and lend in the inter-bank market and define the strategies on the deposit base.	Facilitate the effective management of credit risk by the bank. Agree and recommend to the Board Credit Committee concentration risk policies, underwriting guidelines and standard proposals within the Board's overall risk appetite. Make recommendations to the Board on credit policy and strategy where appropriate. Approve the definition of risk and return preferences and the target risk portfolio. Approve and ensure implementation of the internal rating methodology that the bank will use to measure credit risk. Approve credit limits and take lending decisions within the limits delegated by the Board and further delegate credit limits internally as required. Approve exceptions in credit proposals in line with the Board approval. Approve new credit products and processes. Review credit risk reports on a periodic basis. Review arrears, provisions and steps taken to ensure repayment of loans Review credit events and assess their impact on the credit portfolio. Where relevant, develop an action plan, provide recommendations, and progress reports to the Board. Review the efforts of the recoveries team in recovery from the NPA/ written off portfolio.	The Committee 's purpose is to validate, oversee and monitor the implementation of the Bank's strategic projects and required investment to achieve its strategic objectives..	To oversee the efficient functioning and good governance of the Bank's Talent development & mobility Monitoring the implementation of bank's vision to be the desired employer to attract and retain talent

	Tender Committee	Disciplinary Committee
Chairman	ED/COO	ED/COO
Members	Executive Director/COO Chief Financial Officer Head of Operations Head of IT Manager Projects	Executive Director/Chief Operations Officer Head of Human Resources Head of Legal & Compliance Head of Risk Head of Operations Head of Credit
Frequency of meetings	Quarterly	As and when
Main functions	Review and approve the annual procurement plans. Approve the evaluation committee for specific procurement of goods and services. Review and approve evaluation reports from the evaluation committees. Review the process of pre-qualification of providers of goods and services and approve providers of goods and services. Opening, endorsing and recording bids. Recommend awarding contracts and tenders. Approve amendments to the awarded contract and recommend to the MD/CEO. Ensure that due diligence is conducted for all the goods and services that are procured. Ensure that there is value for money in all goods and services procured. Ensure that the procurement policies and procedures are adhered to in all the procurement activities of the Bank. Review and approval of procurement requests in consultation with the user department. Approval of bids based on the approved procurement procedures and specifications.	Oversee the disciplinary process in relation to breaches of the code of professional conduct and Bank policies and procedures. Report to Management the disciplinary cases and actions taken. To strengthen internal controls i.e. ensuring a culture of compliance with the Bank's rules and regulations. To eliminate the arbitrariness in the administration of justice within the Bank.

Risk Management, Internal Controls & Compliance

The Bank has established an integrated and enterprise risk management framework to identify, assess, manage and report risks and risk adjusted returns on a consistent and reliable basis. The Bank faces various diverse and complex types of risks related to its business as a banking institution. The Risk Management Department manages these risks through a continuous and on-going process of effective management of risks.

Risks are evaluated in an unbiased way. The Bank consciously takes the appropriate amount of risks and manages these risks competently to seize related opportunities. Risk taking is core to I&M's innovation capacity and ultimately its entrepreneurial success.

I&M's approach to Risk Management is characterized through a strong risk oversight at the Board level and a strong risk management culture at all levels and across all functions. Such an approach supports and facilitates I&M's decision making process which not only ensures that the risk reward trade-off is optimized but also that risks assumed are within the overall Risk Appetite and Risk Tolerance levels as laid down by the Board in the various Policy Documents.

I&M's Risk Management Process is guided by the following principles:

- It's risk appetite & risk tolerance levels
- An independent audit, & quality assurance department
- An independent risk and compliance department
- Zero tolerance for violations
- A Policy of "no surprises"
- Protection of reputation
- Enhanced stakeholder satisfaction

Compliance

The Board ensures that laws, rules and regulations, codes and standards applicable to the Bank are identified, documented and observed. The Board has set up an independent Compliance function which continuously monitors the Bank's compliance with applicable laws, rules and regulations, codes and standards.

All policies and procedures are tailored to ensure that the Bank's processes are fully compliant with all relevant Laws and regulations. The Board ensures compliance with all laws and regulations by continuously monitoring the Compliance review report.

Additionally, the Board receives a report at each of its scheduled meetings on changes to the legislation and regulatory framework and evaluates its impact in addition to ensuring that the Bank puts in place the appropriate processes to ensure compliance from the effective date.

Risk based Internal Audit & Assurance

While the Board is responsible for the overall risk management and internal control systems, oversight of the Bank's risk management process has been delegated to the Board Audit and Board Risk Management Committees. This is undertaken through independent Internal Audit function established within the Bank.

The Board sets out the mandate for Internal Audit, defining its purpose, authority and responsibilities. The Board ensures that the Head of Internal Audit department is not responsible for any other function in the entity and reports directly to the Board Audit Committee.

The Internal Audit function provides independent assurance to the Board and Management that:

- The internal control system in place is performing effectively and is adequate to mitigate risks consistent with the risk appetite of the Bank; and
- The organization goals are met and governance processes are effective and efficient.

External Auditors

The Board has put in place mechanisms to ensure that external auditors:

- Maintain a high standard of auditing;
- Have complete independence;
- Have no pecuniary relationship with the auditee entity or a related party;
- Bring to the attention of management and supervisor any matters that require urgent action.

Ethics & Social Responsibility

Code of Ethics:

The Bank has in place a Code of Conduct and Code of Ethics that binds all its Directors and staff to ensure that business is carried out in an ethical, fair and transparent manner, in keeping with the local regulations and international best practices.

The Code of Ethics that all staff are expected to adhere to, encompasses, inter alia, matters touching upon safety and health, environment, compliance with laws and regulations, confidentiality of customer information, financial integrity and relationships with external parties. This Code of Ethics is reviewed periodically and amendments incorporated if necessary.

Conflicts of Interest

The Board has in place a policy to provide guidance on what constitutes a conflict of interest and expects its members, both individually and collectively, to act ethically and in a manner consistent with the values of the business. Each director as far as practically possible, minimize the possibility of any conflict of interest with the Bank by restricting involvement in other businesses that would be likely to lead to a conflict of interest. Where conflicts of interest do arise, Directors excuse themselves from the relevant discussions and do not exercise their right to vote in respect of such matters. The Conflicts of Interest policy is also extended on a similar basis to all senior management and employee who can influence decision making processes.

Insider Trading & Related Party Transactions
The Bank has adopted the Group wide Insider Trading Policy that prohibits Directors and staff of all Group entities; and contractors who have or may have access to Material Non-public Information regarding the Company from:

- Market Manipulations - artificially inflating or deflating the price of a security or otherwise influencing the behaviour of the market for personal gain;
- False Trading and Market Rigging – dissemination of favourable or unfavourable information likely to induce the subscription, sale or purchase of shares by other people, or raise, lower or maintain the market price of shares;
- Fraudulently inducing trading in securities;
- Front Running - entering into a securities trade to capitalize on advance, non-public knowledge of a large (“block”) pending transaction that will influence the price of the underlying security;
- Obtaining gain by fraud; and,
- Communicating unpublished price-sensitive information to other people.

The policy also prohibits anyone having inside information relating to the Bank from buying or selling the entity’s securities, except within certain stipulated open periods.

Insiders handling price sensitive information are subjected to preclearance restrictions which shall require them to declare their intention to purchase or sell Company’s securities before transacting.

Whistle Blowing Policy
The Board has adopted a Whistle blowing policy to enhance commitment to the highest standards of openness, probity and accountability. An important aspect of accountability and transparency is a mechanism to enable staff of the Bank to voice concerns in a responsible and effective manner.

The policy is designed to enable employees to raise concerns internally and at a high level and to disclose information which the individual believes shows malpractice or impropriety.

The policy aims to:

- Encourage employees to feel confident in raising their apprehensions and to question any act that may raise concerns about practice that may bring disrepute to the Bank and or cause financial or other loss to the Bank and or any malicious act that may adversely affect a staff member;
- Provide avenues for employees to raise those concerns and receive feedback on any action taken;
- Reassure employees that they will be protected from possible reprisals or victimization if they have reasonable belief that they have made any disclosure in good faith;
- Minimize the Bank’s exposure to the damage that can occur when employees circumvent internal mechanisms; and,
- Let employees know the Bank is serious about adherence to the code of conduct and the various policies in place.

Sustainability & Corporate Social Responsibility (CSR)
The Bank is very conscious of its responsibility towards the Community and those around it. It is in this endeavour that the Bank has put in place guidelines that support the discharge of its Corporate Social Responsibility mandate, which is well integrated within the Bank. The Bank has continued to deepen its relationship with various stakeholders while providing opportunities to its employees to participate in various CSR activities with a focus towards health, education and the environment.

I&M Bank’s CSR activities are aimed at making sustainable difference under four key social pillars:

- Environmental conservation;
- Education and skills development;
- Economic empowerment; and,
- Enabling giving.

Stakeholder Management
I&M recognizes and appreciates that engagement with, and active cooperation of its stakeholders, is essential for the Bank’s strong business performance on a sustainable basis, as well as to achieving and maintaining public trust and confidence. The Bank is guided by the Bank’s stakeholder management policy which is founded on the principles of transparency, active listening, and equitable treatment that favours a consultative and collaborative engagement with all stakeholders.

Stakeholder engagement is decentralized within I&M. All I&M employees are accountable for managing relationships and meeting expectations of internal and external stakeholders within their areas of responsibility. Should a stakeholder not be satisfied with the service or assistance that they receive from their I&M point of contact, there are a number of opportunities that allow for anonymity (if desired) as well as independence to ensure a voice for concerned stakeholders. These include our client call centre that is the first point of call for all clients’ requests and the section “Contact us” on the Bank’s corporate website. Concerns raised by stakeholders are monitored regularly for compliance by the Bank’s Risk and Compliance Teams and by the Board Risk Management Committee.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Bank's Directors are responsible for the preparation of financial statements that give a true and fair view of I&M Bank (Uganda) Limited comprising the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, The Companies Act, 2012 Laws of Uganda and Financial Institutions Act 2004 (as amended 2016) Laws of Uganda.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Bank to continue as going concern and have no reason to believe that the business will not be a going concern for at least the next twelve months from the date of this statement.

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

Approval of the financial statements

The financial statements of I&M Bank (Uganda) Limited, as identified in the first paragraph, were approved by the Board of Directors and authorized for issue on 22 March 2022

.... Director	.... Director
.... Director	.... Secretary

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Independent auditor's report

TO THE MEMBERS OF I&M BANK (UGANDA) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of I&M Bank (Uganda) Limited ("the Bank") as set out on pages 36 to 132, which comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of I&M Bank (Uganda) Limited as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2012 Laws of Uganda and Financial Institutions Act, 2004 (as amended 2016) Laws of Uganda.

Basis for opinion

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

Key audit matters

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

KPMG

Independent auditor's report

TO THE MEMBERS OF I&M BANK (UGANDA) LIMITED (Continued)

Key audit matters (Continued)

Expected credit losses on loans and advances to customers	
Refer to Notes 3d(iii),4, 5(a),6(a),19 and 20(c) of the financial statements	
Key audit matter	**How the matter was addressed in our audit**
Impairment of loans and advances to customers is considered a Key Audit Matter because the directors make complex and significant judgments over both timing of recognition of impairment and the estimation of the amount of any such impairment. The COVID-19 pandemic has affected the economy and business activities in the country. To mitigate the impacts of COVID-19, the Bank launched aid initiatives for customers, implementing various measures such as, according penalty-free moratoria and making financing and liquidity facilities more flexible. All of these aspects have an impact on the parameters considered by the Bank when quantifying the expected credit loss on financial assets such as macroeconomic variables, customers' net income, value of pledged collateral and probability of default. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's determination of expected credit losses (ECL) are: **Model estimations** Inherently, judgemental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD') and ultimately the Expected Credit Loss (ECL). **Economic scenarios** IFRS 9 *Financial Instruments* requires the Bank to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL. **Significant Increase in Credit Risk ('SICR')** For the loans to customers, the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12- month or lifetime expected credit loss is assessed.	Our audit procedures in this area included: — Obtaining an understanding of the credit management processes and performing end to end process assessments to identify the controls used in the determination of ECL. This includes testing the design and operating effectiveness of the general IT controls in the ECL process. — Evaluating the appropriateness of the Bank's ECL methodologies (including the SICR criteria used) and assessing the appropriateness of the Bank's methodology for determining the economic scenarios by assessing the qualitative and quantitative factors used in the staging process. — Assessing the reasonableness of the assumptions used in determining probability of default, loss given default and exposure at default by comparing them against actual results and local economic conditions. — Obtaining a sample and evaluating key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights and PD assumptions applied; key aspects of the Bank's significant increase in credit risk determinations by involving our specialists in the reperformance of the economic forecasts and PDs. — Assessing the accuracy of the ECL by recomputing the ECL using management's assumptions to determine the consistence of the methodology adopted by management. — Assessing the adequacy of disclosures in the financial statements, especially whether the disclosures appropriately disclose the key assumptions and judgements used in determining the expected credit losses in accordance with IFRS 7 *Financial Instruments: Disclosures.*

KPMG

Independent auditor's report

TO THE MEMBERS OF I&M BANK (UGANDA) LIMITED (Continued)

Other matter relating to comprarative information

The financial statements of I&M Bank (Uganda) Limited as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 April 2021.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the I&M Bank (Uganda) Limited *Annual Report and Financial Statements for the year ended 31 December 2021*, 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 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.

Directors' reponsibilities for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Financial Institutions Act 2004 (amended in 2016) Laws of Uganda and Companies Act, 2012 Laws of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

— Identify and assess the risks of material misstatement of thefinancial 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.

KPMG

Independent auditor's report

TO THE MEMBERS OF I&M BANK (UGANDA) LIMITED (Continued)

Auditors' responsibilities for the audit of the financial Statements (Continued)

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

— Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory Requirements

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

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

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

iii. The Bank's statements of financial position and profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor`s report is CPA Asad Lukwago – P0365.

KPMG
Certified Public Accountants
3rd Floor, Rwenzori courts
Plot 2 & 4A, Nakasero Road
P O Box 3509
Kampala, Uganda

CPA Asad Lukwago

Date: 29 April 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021 Ushs'000	2020 Ushs'000
Interest income	8	47,384,294	49,131,717
Interest expense	9	(17,870,594)	(17,863,849)
Net interest income		**29,513,700**	**31,267,868**
Fee and commission income	10(a)	13,372,647	16,590,990
Fee and commission expense	10(b)	(149,907)	(14,750)
Net fee and commission income		**13,222,740**	**16,576,240**
Revenue		**42,736,440**	**47,844,108**
Net trading income	11	7,847,294	6,591,820
Other operating income	12	8,547,148	2,539,245
Net operating income before change in expected credit losses and other credit impairment charges		**59,130,882**	**56,975,173**
Net impairment losses on financial assets	20(c)	(45,254,709)	(17,154,083)
Net operating income		**13,876,173**	**39,821,090**
Staff costs	13(a)	(18,349,151)	(16,827,647)
Premises and equipment costs	13(b)	(6,626,283)	(8,454,331)
General administrative expenses	13(c)	(18,757,683)	(33,188,026)
Depreciation and amortisation	13(d)	(6,592,351)	(8,253,340)
Operating expenses		**(50,325,468)**	**(66,723,344)**
Loss before income tax	**14**	**(36,449,295)**	**(26,902,254)**
Income tax credit	15(a)	13,611,438	4,209,333
Net loss for the year after tax		**(22,837,857)**	**(22,692,921)**

The notes set out on page 42 to 132 form an integral part of these financial statements.

	Note	2021 Ushs'000	2020 Ushs'000
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Equity stock brokers at fair value		(33,555)	30,457
Deferred income tax on fair value		10,067	(9,137)
Total other comprehensive income for the year		**(23,488)**	**21,320**
Total comprehensive income for the year		**(22,861,345)**	**(22,671,601)**
Basic and diluted earnings per share - (Ushs)		**(0.17)**	**(0.23)**

The notes set out on pages 42 to 132 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Note	2021	2020
		Ushs '000	Ushs '000
ASSETS			
Cash and balances with central banks	17	207,498,145	200,039,898
Deposits and balances due from banking institutions	18	57,284,074	90,797,648
Loans and advances to customers	19	196,808,135	262,174,814
Derivative financial assets	20(a)(i)	489,000	439,178
Government securities	20(b)	164,996,555	98,101,038
Financial assets at fair value through profit or loss (FVTPL)	20(a)(ii)	7,547,389	4,075,322
Other assets	26	4,146,857	4,249,825
Property and equipment	22	5,353,621	8,659,531
Right of use assets	25	4,267,031	5,392,362
Intangible assets - software	23	1,773,227	3,043,717
Investment In subsidiary	21	-	465,670
Deferred tax asset	24	60,227,770	43,114,532
TOTAL ASSETS		**710,391,804**	**720,553,535**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from banks	27	16,827,470	1,844,762
Deposits from customers	28	573,714,218	606,528,081
Other liabilities	29	12,046,886	15,496,454
Lease liability	30	4,415,303	5,810,614
		607,003,877	**629,679,911**
Shareholders' equity			
Issued capital	31(a)	132,000,000	96,750,000
Revaluation reserve		-	1,195,445
Credit risk reserve	31(b)	-	17,374,585
Fair value reserve	31(c)	-	269,969
Retained losses		(28,612,073)	(24,716,375)
Total shareholders' equity		**103,387,927**	**90,873,624**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**710,391,804**	**720,553,535**

The financial statements set out on pages 36 to 132 were approved and authorised for issue by the Board of Directors on 22 March 2022 and were signed on its behalf by:

Director

Director

Director

Secretary

The notes set out on pages 42 to 132 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

2021:	Note	Share capital Ushs'000	Retained earnings Ushs'000	Statutory credit risk reserve Ushs'000	Fair value reserve Ushs'000	Revaluation reseve Ushs'000	Total Ushs'000
At 1 January 2021		**96,750,000**	**(24,716,375)**	**17,374,585**	**269,969**	**1,195,445**	**90,873,624**
Total Comprehensive income							
Net loss after tax			(22,837,858)	-	-	-	(22,837,858)
Total Comprehensive income		-	**(22,837,858)**	-	-	-	**(22,837,858)**
Transactions with equity holders							
Isssue of share capital	31(a)	35,250,000	-	-	-	-	35,250,000
Total transactions with equity holders		**35,250,000**	-	-	-	-	**35,250,000**
Other comprehensive income							
Fair value loss on Equity stock brokers	21		-	-	(33,555)	-	(33,555)
Deferred tax - fair value reserve	21	-	-	-	10,067	-	10,067
Total other comprehensive income		-	-	-	**(23,488)**	-	**(23,488)**
Transfer of fair value reserve to retained earnings	21	-	246,481	-	(246,481)	-	-
Transfer of revaluation reserve to retained earnings	36	-	1,195,445	-	-	(1,195,445)	-
Defferred tax on disposal of assets and subsidiary	24		125,649				125,649
Transfer of credit risk reserve to retained earning	31(b)	-	17,374,585	(17,374,585)	-	-	-
Balance as at 31 December 2021		**132,000,000**	**(28,612,073)**	-	-	-	**103,387,927**

The notes set out on pages 42 to 132 form an integral part of these financial statements.

2020	Note	Share capital Ushs'000	Retained earnings Ushs'000	Revaluation Reserve Ushs'000	Statutory credit risk reserve Ushs'000	Fair value reserve Ushs'000	Total Ushs'000
At 1 January 2020		**96,750,000**	**1,485,275**	**1,564,041**	**13,835,877**	**248,648**	**113,883,841**
Total comprehensive income							
Net loss after tax		-	(22,692,920)	-	-	-	(22,692,920)
Total comprehensive income		-	(22,692,920)	-	-	-	(22,692,920)
Other comprehensive income							
Equity stock brokers at fair value	21	-	-	-	-	30,457	30,457
Deferred tax - fair value reserve	21	-	-	-	-	(9,136)	(9,136)
Total other comprehensive income		-	-	-	-	**21,321**	**21,321**
Statutory credit risk reserve		-	(3,538,708)	-	3,538,708	-	-
Transfer of Excess Depreciation to Retained Earnings		-	29,978	(29,978)	-	-	-
Deferred tax - fair value reserve	24	-	-	(338,618)	-	-	(338,618)
Balance as at 31 December 2020		**96,750,000**	**(24,716,375)**	**1,195,445**	**17,374,585**	**269,969**	**90,873,624**

The notes set out on pages 42 to 132 form an integral part of these financial statement

STATEMENT OF CASH FLOWS

	Note	2021	2020
		Ushs'000	Ushs'000
Loss before income tax		(36,449,295)	(26,902,254)
Adjustments for:			
Depreciation on property and equipment	22	1,973,223	3,122,800
Depreciation on right of use asset	25	2,277,576	2,786,216
Amortisation of intangible asset	23	2,341,552	2,344,324
Interest on lease liabilities	30	208,216	636,312
Loss on disposal of leases		181,158	(390,248)
Gain on disposal of subsidiary	12	(55,308)	-
(Gain)/loss on sale of property and equipment	12	(7,319,008)	263,956
Effect of exchange rate fluctuations		227,041	211,974
Profit before changes in operating assets and liabilities		**(36,614,845)**	**(17,926,920)**
Changes in:			
Cash reserve requirement		2,340,000	5,920,000
Deposits due from banking institutions		33,513,574	30,302,268
Deposits due to banking institutions		14,982,708	(8,575)
Derivative financial assets		(49,822)	(436,986)
Loans and advances		65,366,679	42,665,292
Government securities		(67,347,565)	(29,300,312)
Financial assets at FVTPL		(3,472,067)	2,961,090
Other assets		102,970	16,172,352
Customer deposits		(32,813,863)	(67,086,493)
Other liabilities		(3,449,568)	77,315
Derivative financial liabilities		-	(1,747)
		(27,441,799)	(16,662,716)
Interest paid	30	(208,216)	(636,312)
Income taxes paid	15	(3,366,084)	(1,615,595)
Net cash flows used in operating activities		(31,016,099)	(18,914,623)
Financing activities			
Payment of lease liabilities	30	(2,262,589)	(1,556,160)
Net cash flows used in financing activities		(2,262,589)	(1,556,160)
Investing activities			
Proceeds from issue of shares	31(a)	35,250,000	-
Purchase of property and equipment	22	(3,307,273)	(1,572,464)
Proceeds from sale of property and equipment		11,378,975	272,543
Proceeds from sale of subsidiary		487,422	-
Purchase of intangible assets	23	(505,148)	(1,352,942)
Net cash flows from /(used) in investing activities		43,303,976	(2,652,863)
Net increase/(decrease) in cash and cash		10,025,288	(23,123,646)
Effect of exchange rate fluctuations		(227,041)	(211,974)
Cash and cash equivalents at start of year		151,879,898	175,215,518
Cash and cash equivalents at the end of the year	17	161,678,145	151,879,898

The notes set out on pages 42 to 132 form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Reporting Entity

I&M Bank (Uganda) Limited (the 'Bank') is incorporated in Uganda under the Companies Act, as a limited liability company, and is domiciled in Uganda. The address of its registered office is:

Plot 6 & 6A, Kampala Road
P O Box 3072
Kampala

The Bank is licensed and regulated by Bank of Uganda under the Financial Institutions Act 2004 (amended 2016), Laws of Uganda. For the Companies Act, 2012 Laws of Uganda reporting purposes, the balance sheet is represented by statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

The financial statements for the year ended 31 December 2021 have been approved for issue by the Board.

On 30th April 2021,the bank was acquired by I&M Group who acquired 90 per cent majority shareholding in Orient Bank Uganda Limited after receiving the necessary approvals from the Central Bank of Kenya, Bank of Uganda, Capital Markets Authority of Kenya, and the COMESA competition Authority. The bank changed name from Orient Bank Uganda Limited to I&M Bank (Uganda) Limited on 8th November 2021.

2. Basis of Preparation

a. Statement of Compliance

The Bank's financial statements for the year 2021 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act 2012, Laws of Uganda. Additional information required by the regulatory bodies is included where appropriate. Details of the significant accounting policies are included in Note 3.

b. Basis of Measurement

These financial statements have been prepared under the historical cost basis of accounting except for the financial assets classified as fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) which are measured at fair value.

c. Functional and Presentation Currency

The financial statements are presented in Uganda Shillings (Ushs), which also is the Bank's functional currency. All financial information presented in Ushs has been rounded to the nearest thousand (Ushs'000) except where otherwise stated.

d. Use of Estimates and Judgments

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

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

In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 6.

3. Significant Accounting Policies

Tprincipal accounting policies adopted in the preparation of these financial statements are set out below:

a. Basis of Deconsolidation

i. Loss of control

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

b. Income Recognition

i. Net interest income:

Effective interest rate and amortised cost

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees at points paid or received 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.

Amortised Cost and Gross Carrying Amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of Interest Income and Expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3(d)(iii).

Presentation

Interest income and expense presented in the statement of profit or loss and other comprehensive income (OCI) include:
- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

ii. Net fee and Commission Income

Fee and commission income and expenses that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income (including account servicing fees, sales commission, placement fees and syndication fees) are recognised overtime as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are recognised at a point in time as the service is performed.

iii. Net trading income and net income on financial assets at fair value through profit or loss

Net trading income and net income on financial assets at fair value through profit or loss comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences

iv. Other operating income

Other operating income comprises recoveries from written off loans, gain from the disposal of the subsidiary and gain on disposal of property and equipment.

c. Income tax expense

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

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

Deferred tax 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 by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be 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 realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

d. Financial assets and financial liabilities

i. Recognition

The Bank initially recognises loans and advances, receivables, deposits and debt securities on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognised on the trade date on which the Bank becomes a party to the contractual provision of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method.

ii. Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets 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.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling 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.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers;

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms;

- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.
The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Debt instruments measured at amortised cost
Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments measured at FVOCI
Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognized in non-interest income in the Statement of profit or loss and other comprehensive income.

Upon derecognition, realized gains and losses are reclassified from OCI and recorded in non-interest income in the Statement of Profit or Loss and other comprehensive Income on an average cost basis. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the statement of profit or loss and other comprehensive income.

Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest income in the statement of profit or loss and other comprehensive income using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the statement of financial position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to provision for credit losses in the statement of profit or loss and other comprehensive income. The accumulated allowance recognised in OCI is recycled to the statement of profit or loss and other comprehensive income upon derecognition of the debt instrument.

Debt instruments measured at FVTPL
Debt instruments are measured at FVTPL if assets:

i. Are held for trading purposes;
ii. Are held as part of a portfolio managed on a fair value basis; or
iii. Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the statement of financial position, with transaction costs recognized immediately in the statement of profit or loss and other comprehensive income as part of non-interest income. Realized and unrealized gains and losses are recognized as part of non-interest income in the statement of profit or loss and other comprehensive income.

Financial assets classified in this category are those that have been designated by the Bank upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognized in non-interest income in the statement of profit or loss.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Financial liabilities
The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised.

iii. Impairment on financial assets
The Bank recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets (amortised cost and FVOCI) including debt instruments, loans and advances and trade receivables from Bancassurance.
- financial guarantee contracts issued; and
- loan commitments issued.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date i.e. balances held with central banks, domestic government bills and bonds, and loans and advances to banks; and
- other financial instruments (other than lease receivables) on which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since their initial recognition i.e. stage 1 (see Note 5(a)).

Loss allowances for trade receivables (bancassurance) are always measured at an amount equal to lifetime ECL.

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

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Significant Increase in Credit Risk (SICR)

At each reporting date, the Bank performs both qualitative and quantitative assessments whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SICR is largely determined by the Prudential Guidelines classification augmented by macroeconomic outlook, management judgement, and delinquency and monitoring.

Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include a significant departure from the primary source of repayment, changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and legislative changes impacting certain portfolios.

With regards to delinquency and monitoring, there is a rebuttable presumption that delinquency backstop when contractual payments are more than 30 days past due.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date(stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover. See also Note 5(a).

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3(d)(iv)) and ECL are measured as follows.

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as stage 3 financial assets). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Credit-impaired financial assets
Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for a security because of financial difficulties.

A loan that is overdue for 90 days or more is considered impaired. In addition, a loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of

not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Credit impaired financial assets as per regulatory requirements
The financial institutions (Credit Classification and Provisioning Regulations),2005 classifies financial assets into the following categories.

- **Normal Risk (Pass);** where the financial condition of the borrower is sound; and there is adequate documentation to support the granting of credit, such as current financial statements, cash flows, credit checks and evaluation report on collateral held. if the account is supported by collateral, the collateral should be unimpaired.
- **Watch (Special Mention);** a credit facility which is currently up to date, but evidence suggests that certain factors could, in the future, affect the borrower's ability to service the account properly or impair the collateral. A credit facility which may deteriorate because of current market conditions affecting the sector or industry; or renegotiated credit facility which is up-to date in repayments and adequately secured for a minimum of one year after rescheduling and during which period there would have been no inherent weaknesses affecting repayment.
- **Substandard;** credit facilities display well-defined credit weaknesses that jeopardize the liquidation of the debt such as inadequate cash flow to service the debt, undercapitalized or insufficient working capital, absence of adequate financial information or security documentation and irregular payment of principal or interest; or credit facilities that are not protected by the current sound net worth and paying capacity of the borrower.
- **Doubtful;** where the collection of the debt in full is highly questionable or improbable; or credit facilities which, in addition to the weaknesses existing in substandard credits, have deteriorated to the extent that full repayment is unlikely or that realizable security values will be insufficient to cover the financial institution's exposure.
- **Loss:** credit facilities that are considered un-correctable or which may have some recovery value, but it is not considered practicable nor desirable to defer write-off (even though partial recovery may be effected in the future); an account classified as Doubtful with little or no improvement over the period it has been classified as such;

The regulation requires financial institutions to maintain specific provisions for all non-performing credit facilities. All credit facilities classified as substandard, doubtful or loss are subjected to specific provisions regardless of whether the subjective or objective criteria were used in degerming the classification.

Specific provisioning
Specific provisions for substandard assets are maiantained at not less than 20% of the outstanding balance of the credit facility.

Specific provisions for doubtful assets are maintained at not less than 50% of the outstanding balance of the credit facility.

Specific provisions of loss assets are maintained at 100% of the outstanding balance of the credit facility; the loss assets are written off against accumulated provisions within ninety days of being identified as loss, unless approval of the Central Bank to defer write-off has been obtained.

The outstanding balance consists of principal, interest which has been capitalized and all other charges, fees and other amounts, which have been capitalized to the outstanding balance; interest in suspense may be deducted from the outstanding balance before determining the provisions.

General provisioning
In addition to specific provisions, financial institutions are required to maintain a general provision of at least 1% of their total outstanding credit facilities net of specific provisions and interest in suspense.

Where impairment losses required by legislation or regulations exceed those computed under International Financial Reporting Standards (IFRSs), the excess is recognised as a statutory reserve and accounted for as an appropriation of retained profits and the reverse for reductions. These reserves are not distributable. This is disclosed in the statement of changes in equity appearing on pages 39–40.

Government securities (debt instruments)
In making an assessment of whether an investment in sovereign debt (government bills and bonds, balances due from central banks) is credit-impaired, the Bank considers the following factors;

i. The country's ability to access own local capital markets for new debt issuance;
ii. Presentation of allowance for ECL in the statement of financial position

iii. The respective government ability to maintain sovereignty on its currency; and

iv. The intentions and capacity, reflected in public statements, of governments and agencies honor these commitments.

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off
Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

i. De-recognition

Financial assets
The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition 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 on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

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 sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, 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 certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities
The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

ii. Modifications of financial assets and financial liabilities

Financial assets.
If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 5(a)(v).

Financial liabilities
The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

iii. Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize 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.

e. Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measure at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of net exposure to either market or credit risk are measure on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank measure fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included in level 1 that are observable 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 in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which 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 for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

f. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows in the financial statements, cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.
Cash and cash equivalents are carried at amortised cost in the statement of financial position.

g. Property and equipment

Items of property and equipment are measured at cost or valuation less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the asset.

Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Bank. On-going repairs and maintenance are expensed as incurred.

Depreciation is charged on a straight line basis to allocate the cost of each asset, to its residual value over its estimated useful life as follows:

Buildings	7%
Leasehold improvements	Shorter of useful lives and lease terms
Furniture, Fixtures, Strong room & Safes	12.5%
Office Equipment	20.0%
Motor vehicles	25.0%
Computer Equipment, ATM, POS & SWIFT	33.3%

Depreciation is recognised in profit or loss. The assets' residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

Any gains or losses on disposal of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in other income in profit or loss.

h. Intangible assets

Computer software

The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software is measure at cost less accumulated amortisation and accumulated impairment. The costs are amortised on a straight line basis over the expected useful lives, from the date it is available for use, not exceeding five years. Costs associated with maintaining software are recognised as an expense as incurred.

Amortisation methods, residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

i. Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
  amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

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

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

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Bank acting as a lessor

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Determination of the incremental borrowing rate
The Bank determines the rate of interest that it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the rightofuse asset in a similar economic environment.

Lease extension and termination
Extension and termination options are included in a number of property and equipment leases across the Group. 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 only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment 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.

j. Impairment of non-financial assets
The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and group. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

k. Derivative financial instruments
The Bank uses financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially at fair value on the date the derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is the amount of the mark to market adjustment at the reporting date.

l. Employee benefits

i. Defined contribution plan
The majority of the Bank's employees are eligible for retirement benefits under a defined contribution plan.

The assets of the defined contribution scheme are held in a separate trustee administered guaranteed scheme managed by an insurance company. Retirement plans are funded by contributions from the employees and the respective entities. The Bank's contributions are recognised in profit or loss in the year to which they relate.

The Bank also contributes to various national social security funds in the countries it operates. Contributions are determined by local statute and the Bank's contributions are charged to the income statement in the year to which they relate.

ii. Leave accrual
The monetary value of the unutilised leave by staff as at year end is recognised within accruals and the movement in the year is debited/credited to the profit or loss.

m. Share capital and share issue costs
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instruments.

n. Earnings per share
Earnings per share are calculated based on the profit attributable to owners of the company divided by the number of ordinary shares. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential ordinary shares outstanding during the year.

o. Dividends
Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

p. Contingent liabilities
Letters of credit, acceptances and guarantees are not recognised and are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss.

q. Provisions
Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

r. Fiduciary activities
The Bank commonly acts as Trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefits plans and institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

s. Comparative information
Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

t. Non-current assets held for sale
Non-current assets are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal, are re-measured in accordance with the Bank's accounting policies. Thereafter, generally the assets, or disposal, are measured at the lower of their carrying amount and fair value less cost to sell. For non-financial assets, fair value takes into account the highest and best use either on a standalone basis or in combination with other assets or other assets and liabilities.

Any impairment loss on a disposal is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Bank's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

u. New standards, amendments and interpretations

i. New standards, amendments and interpretations effective and adopted during the year
The Bank has adopted the following new standards and amendments during the year ended 31 December 2021, including consequential amendments to other standards with the date of initial application by the Bank being 1 January 2021. The nature and effects of the changes are as explained here in.

New standards or amendments	Effective for annual period beginning or after
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	1 April 2021
Interest Rate Benchmark Reform-Phase 2(Amendments to IFRS 9, IAS 39 and IFRS 7,IFRS 4 and IFRS 16	1 January 2021

- **IFRS 3 Definition of a Business**
  With a broad business definition, determining whether a transaction results in an asset or a business acquisition has long

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been a challenging but important area of judgement. These amendments to IFRS 3 Business Combinations seek to clarify this matter as below however complexities still remain.

- **Optional concentration test**
  The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.
- **Substantive process**
  If an entity chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

  The definition of a business is now narrower and could result in fewer business combinations being recognised.

  The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2021. Earlier application is permitted. The adoption of this standard did not have an impact on the financial statements of the Bank.
- **Amendments to References to the Conceptual Framework in IFRS Standards**
  This amendment sets out amendments to IFRS Standards (Standards), their accompanying documents and IFRS practice statements to reflect the issue of the International Accounting Standards Board (IASB) revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework).

  Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the IASC's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 (Framework) or the Conceptual Framework for Financial Reporting issued in 2010. Amendments to References to the Conceptual Framework in IFRS Standards updates some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  These amendments are based on proposals in the Exposure Draft Updating References to the Conceptual Framework, published in 2015, and amend Standards, their accompanying documents and IFRS practice statements that will be effective for annual reporting periods beginning on or after 1 January 2021.
- **IAS 1 and IAS 8 Definition of Material**
  The amendment refines the definition of Material to make it easier to understand and aligning the definition across IFRS Standards and the Conceptual Framework.

  The amendment includes the concept of 'obscuring' to the definition, alongside the existing references to 'omitting' and 'misstating'. Additionally, the amendments also adds the increased threshold of 'could influence' to 'could reasonably be expected to influence' as below.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  However, the amendment has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- **Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)**
  The amendments, provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the profit or loss account.

  New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2021
- **COVID-19-related Rent Concessions (Amendments to IFRS 16)**
  As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2021, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

  Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

  The adoption of this standard did not have a material impact on the Bank's financial statements.

  A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2021, and have not been applied in preparing these financial statements.

New standards or amendments	Effective for annual period beginning or after
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments IAS 1)	1 January 2023
IFRS 17 Insurance contracts	1 January 2023
Amendments to IFRS 17	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28).	To be determined

The Bank does not plan to adopt these standards early. These are summarised below:

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

- **Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)**
  The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

  The Directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's financial statements.

Annual Improvement cycle (2018 – 2021) – various standards
The following improvements were finalised in May 2021:

Standards	
IFRS 9 Financial Instruments	IFRS 9 Financial Instruments - clarifies which fee should be included in the 10% test for derecognition of financial liabilities.
IFRS 16 Leases	IFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
IFRS 1 First-time Adoption of International Financial Reporting Standards	IFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The Directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's financial statements.

- **Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)**
  The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

  The Directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's financial statements.

- **Reference to the Conceptual Framework (Amendments to IFRS 3)**
  Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

  The Directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's financial statements.

- **Classification of Liabilities as Current or Non-current (Amendments IAS 1)**
  The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

  The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

  They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

- **IFRS 17 Insurance Contracts**
  IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

  a. insurance contracts, including reinsurance contracts, it issues;
  b. reinsurance contracts it holds; and
  c. investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

  IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

  a. the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and
  b. the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

  IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:

  a. accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and
  b. chooses where to present the effects of some changes in discount rates either in profit or loss or in other comprehensive income.

  IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.

  IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2022. An entity shall apply the standard retrospectively unless impracticable. A Company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

  The adoption of these changes will not affect the amounts and disclosures of the Bank's financial statements.

- **Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)**
  The amendments require the full gain to be recognised when assets transferred between an investor and its associate or Company meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or Company is recognised. The definition of a business is key to determining the extent of the gain to be recognised.The effective date for these changes has now been postponed until the completion of a broader review.

  The adoption of these changes will not affect the amounts and disclosures of Bank's financial statements.The Bank did not early adopt new or amended standards in the year ended 31 December 2021.

4. Impact of COVID-19

The COVID-19 pandemic and its effect on the global economy has impacted our customers, operations and Bank performance. The outbreak necessitated governments to respond at unprecedented levels to protect the health of the population, local economies and livelihoods. It has affected different regions at different times and at varying degrees and there remains a risk of subsequent waves of infection. Thus the pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including:

- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn, and subsequent recovery. This includes the impacts on capital

markets and liquidity, credit quality, increasing unemployment, declines in consumer spending, reductions in production, and other restructuring activities; and

- the effectiveness of government and central bank measures to support businesses and consumers through this disruption and economic downturn.

The Bank has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Bank.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

5. Financial Risk Management

This section provides details of the Bank's exposure to risk and describes the methods used by management to control risk.

Financial risk

The most important types of risk to which the Bank is exposed are credit risk, market risks and operational risk. Market risk includes liquidity risk, currency risk and interest rate risk.

a. Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Bank is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative. With gross-settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honours its obligation but the counterparty fails to deliver the counter-value.

Credit-related commitment risks

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

The Board of Directors of the Bank entities have delegated responsibility of the management of credit risk to the Board Credit Committees. Further, the Bank has a Credit Risk Management Committee that reports to its Board Credit Committee. The Bank's credit exposure at the reporting date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the statement of financial position.

The risk that the counter-parties to trading instruments might default on their obligation is monitored on an on-going basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments over their remaining life.

To manage the level of credit risk, the Bank deals with counter parties of good credit standing wherever possible and when appropriate, obtains collateral.

An assessment of the extent to which fair values of collaterals cover existing credit risk exposure on loans and advances to customers is highlighted below. The Bank also monitors concentrations of credit risk that arise by industry and type of customer in relation to Bank loans and advances to customers by carrying a balanced portfolio.

To determine impairment of loans and advances, the Bank assesses whether it is probable that it will be unable to collect all principal and interest according to the contractual terms of the loans and advances.

Exposure to credit risk

The Bank also monitors concentrations of credit risk that arise by industry and type of customer in relation to loans and advances to customers by carrying a balanced portfolio.

To determine impairment of loans and advances, the Bank assesses whether it is probable that it will be unable to collect all principal and interest according to the contractual terms of the loans and advances.

i. Credit quality analysis – Loans and advances to customers

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt instruments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

See accounting policy on note 3(d)(iii) for the explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired.

2021

Risk classification	12 month ECL (Stage 1) Ushs'000	Lifetime ECL Not Credit Impaired (Stage 2) Ushs'000	Lifetime ECL Credit Impaired (Stage 3) Ushs'000	Total 31 December Ushs'000
Loans and advances to Customers at amortised cost				
Normal (Stage 1)	149,577,263	29,601,847	28,065,542	207,244,652
Watch (Stage 2)	925,753	1,306,904	6,294,860	8,527,517
Non-performing loans (Stage 3)	-	-	18,889,907	18,889,907
Gross carrying amount	**150,503,016**	**30,908,751**	**53,250,309**	**234,662,076**
Loss allowance	(521,982)	(11,515)	(37,636,506)	(38,170,003)
Modification gains	-	-	-	736,416
Discount on staff loans	-	-	-	(420,354)
Carrying amount	**149,981,034**	**30,897,236**	**15,613,803**	**196,808,135**

2020:

Risk classification	12 month ECL (Stage 1) Ushs'000	Lifetime ECL Not Credit Impaired (Stage 2) Ushs'000	Lifetime ECL Credit Impaired (Stage 3) Ushs'000	Total 31 December Ushs'000
Loans and advances to Customers at amortised cost				
Normal (Stage 1)	158,736,960	41,679,663	56,673,996	257,090,619
Watch (Stage 2)	1,970,227	-	-	1,970,227
Non-performing loans (Stage 3)	8,620,672	1,813,201	14,629,101	25,062,974
Gross carrying amount	**169,327,859**	**43,492,864**	**71,303,097**	**284,123,820**
Loss allowance	(167,894)	(89,863)	(21,691,249)	(21,949,006)
Carrying amount	**169,159,965**	**43,403,001**	**49,611,848**	**262,174,814**

The following shows the grading of loans and advances to customers in line with local prudential guidelines.

Loans and advances to customers	2021 Ushs'000	2020 Ushs'000
Identified impairment:		
Grade 3: Substandard	149,940	902,167
Grade 4: Doubtful	3,676	651,433
Grade 5: Loss	18,647,162	23,920,690
	18,800,778	**25,474,290**
Specific allowances for impairment	(18,711,159)	(21,691,249)
Carrying amount	**89,619**	**3,783,041**
Unidentified impairment:		
Grade 2: Watch	250,222	1,970,227
Grade 1: Normal	215,611,076	256,679,303
	215,861,298	258,649,530
Portfolio allowances for impairment	(19,458,844)	(257,757)
Carrying amount	**196,402,454**	**258,391,773**
Net carrying amount	**196,492,073**	**262,174,814**
Modification gains	736,416	-
Discount on staff loans	(420,354)	-
Total carrying amount	**196,808,135**	**262,174,814**

Impaired loans and securities

Impaired loans and securities are loans for which the Bank determines that it is probable that it will be unable to collect all or part principal and interest due according to the contractual terms of the loan agreement(s). These loans are graded 3 (Substandard) to 5 (Loss) in the Bank's internal credit risk and grading system.

Neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed with reference to the Bank's internal rating system. All such loans must be performing in accordance with the contractual terms and are expected to continue doing so. Loans in this category are fully protected by their current sound net worth and paying capacity of the borrower. These loans and advances are categorised as normal in line with Bank of Uganda prudential guidelines.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank. These loans are stage 2 (Watch) in the Bank's internal credit risk and grading system.

ii. Collateral and other security enhancements

The Bank holds collaterals against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimate of fair value are based on the value of collateral assessed at the time of borrowing, and generally are updated every three years except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowings activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2021 or 2020.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

Loans and advances to customers	2021	2020
	Ushs'000	Ushs'000
Fair value of collateral held – against impaired loans	**19,406,845**	**80,411,074**

The following table sets out the principal types of collateral held against different types of financial assets:

Financial asset	Note	31 Dec 2021	31 Dec 2020	Principal type of collateral held
		Percentage of exposure that is subject to collateral requirements		
Government securities	20(b)	-	-	None
Deposits and balances due from banking institutions	18	-	-	None
Loans and advances to customers	19			
Retail loans		100	100	Commercial property, cash, floating charges over corporate assets
Corporate loans		100	100	Commercial property, cash, floating charges over corporate assets, debentures, company shares.

iii. Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(d)(iii).

Significant increase in credit risk

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

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

COVID-19 considerations for the year ended 31 December 2021

In response to the impacts of COVID-19, various packages, such as repayment deferrals, have been offered to eligible retail and commercial customers in Uganda. The Bank does not consider that when a customer is first provided assistance, all other things being equal, that there has been a significant increase in credit risk (SICR) and a consequent impact on ECL when assessing provisions. Subsequent to take-up, customers have been contacted to discuss available options once the packages reach their end date. This additional information on the customer's financial position and ability to recommence their loan repayments is used to assist in classification of customers into risk categories. Customers in higher risk categories, and those who have requested a deferral extension, have been classified as having a SICR.

Credit risk grading

Other than for loans and advances to banks and investment securities where the Bank relies on internal credit rating models, the Bank relies substantially on the prudential guidelines applicable in the market it operates in for credit risk grading that reflect its assessment of the probability of default of individual counterparties.

In addition, the prudential guidelines are supplemented

- by Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures.
- External data such as credit bureau scoring information on individual borrowers.
- Expert judgement from the Credit Risk Officer to be fed into the final credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The following are additional considerations for each type of portfolio held by the Bank:

Customer loans and advances

After the date of initial recognition, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. A relationship manager will also incorporate any updated or new information/credit assessments into the credit system on an ongoing basis.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for loans and advances. The Bank collects performance and default information about its credit risk exposures analysed borrower as well as by credit risk grading.

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

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth,inflation, Central bank rate and unemployment.

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

The Bank has applied a simpled methodology (lifetime ECL) for its other exposures including interbank balances and government securities.

COVID-19 considerations for the year ended 31 December 2021

The key consideration for probability weightings in the current period is the continuing impact of COVID-19.

The Bank considers these weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Bank's credit portfolios in determining them.

In determining the likelihood of each of the macroeconomic scenarios based on sectors, a weighting of 68% (base case), 10.6% (upside case) and 21.1% (downside case) was applied for Uganda.

The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Modified financial assets
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(d)(v).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

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

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

COVID-19 considerations for the year ended 31 December 2021
During the year, the Bank has offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations. The assistance provided has included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates. Refer to Key Judgements and Estimates in this Note for details of the impact of deferrals when determining if there has been a Significant Increase in Credit Risk (SICR).

The loan repayment deferral package is considered to be a loan modification under IFRS 9. This either results in the loan being derecognised and replaced with a new loan (substantial modification) or the existing loan continuing to be recognised (non-substantial modification). The table below shows the outstanding balance as at 31 December 2021 of all loans that have been modified (both substantial and non-substantial modifications):

	2021	2020
	Ushs'000	Ushs'000
Term extensions		
Agriculture	-	-
Building,Mortgage, Construction and Real Estate	10,994,636	11,975,849
Community, Social and Other Services	911,799	-
Hotel and Restaurants	27,807,639	-
Manufacturing	1,483,234	4,937,036
Personal Loans and Household Loans	1,802,274	464,010
Retail Trade	15,363,278	2,992,312
Total	**58,362,860**	**20,369,207**

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one for either credit or commercial reasons, an assessment is made to determine if the changes to the terms of the existing financial asset are considered substantial. This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral. Where a modification is considered non-substantial, the existing financial asset is not derecognised and its date of origination continues to be used to determine SICR.

Where a modification is considered substantial, the existing financial asset is derecognised and a new financial asset is recognised at its fair value on the modification date, which also becomes the date of origination used to determine SICR for this new asset.

Definition of default
The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward-looking information
The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from Assets and Liabilities Committee (ALCO) and consideration of a variety of external actual and forecast information, the Bank formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios.

This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund (IMF), World Bank and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.Monthly,the Bank's Risk management committee carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

The Banking Industry non-performing loans (NPL %) was a reasonable approximation to the default risk. The correlation between the Banking Industry non-performing loans (NPL%) with the macroeconomic factors was then inferred to the Bank's predicated Probabilities of Default.

Further, in determining the economic scenarios to be applied, each of the economic variable was adjusted either upside or downside using the historical standard deviation.

In determining the likelihood of each of the macroeconomic scenarios based on sectors, a weighting of 90% (base case), 95% (upside case) and 85% (downside case) was applied for Uganda.

COVID-19 considerations for the year ended 31 December 2021
There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year.

As at 31 December 2021, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to COVID-19. This includes an assessment of the impact of central bank policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn. The expected outcomes of key economic drivers for the base case scenario as at 31 December 2021 are described in the table below.

The economic scenarios used as at 31 December 2021 included the following ranges of key indicators based on sectors;

Agriculture		Weighting		
	Coefficients	Base	Upside	Downside
		68%	21%	11%
GDP	-0.20	4.9%	0.3%	0.3%
Inflation	-0.13	4.2%	0.9%	0.9%
CBR	-0.39	4.1%	4.1%	4.1%
Constant	0.0337			

Mining and Quarrying		Weighting		
	Coefficients	Base	Upside	Downside
		68%	21%	11%
GDP	3%	4.9%	0.3%	0.3%
Inflation	-13%	4.2%	0.9%	0.9%
CBR	-1%	4.1%	4.1%	4.1%
Constant	0.0005			

Manufacturing		Weighting		
	Coefficients	Base	Upside	Downside
		68%	21%	11%
GDP	-2%	4.9%	0.3%	0.3%
Inflation	-19%	4.2%	0.9%	0.9%
CBR	-7%	4.1%	4.1%	4.1%
Constant	0.94%			

Trade		Weighting		
	Coefficients	Base	Upside	Downside
		68%	21%	11%
GDP	-30%	4.9%	0.3%	0.3%
Inflation	-14%	4.2%	0.9%	0.9%
CBR	-37%	4.1%	4.1%	4.1%
Constant	2.90%			

Transport and Communication		Weighting		
	Coefficients	Base	Upside	Downside
		68%	21%	11%
GDP	-7%	4.9%	0.3%	0.3%
Inflation	6%	4.2%	0.9%	0.9%
CBR	22%	4.1%	4.1%	4.1%
Constant	0.91%			

Business Services		Weighting		
	Coefficients	Base	Upside	Downside
		68%	21.10%	10.60%
GDP	6%	4.9%	0.3%	0.3%
Inflation	-10%	4.2%	0.9%	0.9%
CBR	-16%	4.1%	4.1%	4.1%
Constant	1.11%			

Electricity and Water		Weighting		
	Coefficients	Base	Upside	Downside
		68%	21.10%	10.60%
GDP	-9%	4.9%	0.3%	0.3%
Inflation	16%	4.2%	0.9%	0.9%
CBR	27%	4.1%	4.1%	4.1%
Constant	0.01%			

Community, Social and Other Services		Weighting		
	Coefficients	Base	Upside	Downside
		68%	21.10%	10.60%
GDP	13%	4.9%	0.3%	0.3%
Inflation	-19%	4.2%	0.9%	0.9%
CBR	6%	4.1%	4.1%	4.1%
Constant	0.99%			

Building, Mortgage, Construction and Real Estate		Weighting		
	Coefficients	Base	Upside	Downside
		68%	21.10%	10.60%
GDP	17%	4.9%	0.3%	0.3%
Inflation	-19%	4.2%	0.9%	0.9%
CBR	-20%	4.1%	4.1%	4.1%
Constant	2.16%			

Personal Loans and Household Loans		Weighting		
	Coefficients	Base	Upside	Downside
		68%	21.10%	10.60%
GDP	13%	4.9%	0.3%	0.3%
Inflation	-15%	4.2%	0.9%	0.9%
CBR	-11%	4.1%	4.1%	4.1%
UER	-21%	2.0%	5.7%	1.9%

Some sectors did not have correlations with macro-economic factors. These include: agriculture, building and construction, mining and quarrying, trade, tourism restaurant and hotels. In view of this, management judgements were applied by taking an average of the percentage macro-adjustments from the sectors above was applied for purposes of ECL calculation.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact on therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

Measurement of ECL
The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for loans and advances to banks and investment securities.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based mainly on the counterparties' collateral. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- segment type
- Credit risk grading

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

ECL - Sensitivity analysis

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Bank's allowance for expected credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance in future financial years. Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Bank should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 31 December 2021:

	ECL Ushs'000	Impact Ushs'000
If 1% of stage 1 facilities were included in Stage 2	705,284	(6,313)
If 1% of stage 2 facilities were included in Stage 1	712,752	1,155
100% upside scenario	38,374,066	(50,702)
100% base scenario	38,507,283	82,513
100% downside scenario	38,633,791	209,023

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3(d)(iii).

Loans and advances to customers at amortised cost

	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Balance at 1 January 2021	167,984	89,867	21,691,155	21,949,006	169,166,210	43,456,111	74,509,082	287,131,403
Transfer from 12 months ECL (Stage 1)	174,573	(896)	(173,677)	-	950,385	- 134,616	- 815,769	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	(144)	453,114	(452,970)	-	- 447,928	6,728,082	- 6,280,154	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(111,804)	- 452,269	20,893,225	20,329,152	53,325,119	(43,075,978)	- 26,877,039	(16,627,898)
New financial assets originated or purchased	356,908	5,636	17,183,152	17,545,696	89,178,058	25,457,625	24,638,662	139,274,345
Financial assets derecognised	(65,535)	- 83,937	(9,523,675)	(9,673,147)	(88,157,967)	(32,252,131)	(28,099,100)	(148,509,198)
Write off	-	-	(11,980,704)	(11,980,704)	-	-	- 26,606,576	(26,606,576)
Total Carrying amount as at 31 December 2021	**521,982**	**11,515**	**37,636,506**	**38,170,003**	**224,013,877**	**179,093**	**10,469,106**	**234,662,076**

	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Balance at 1 January 2020	238,949	1,618,282	14,342,245	16,199,476	215,871,663	46,872,027	60,019,084	322,762,774
Transfer from 12 months ECL (Stage 1)	33,548	(28,849)	(4,699)	-	10,565,122	(8,838,251)	(1,726,871)	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	(4,727)	59,037	(54,310)	-	(5,744,943)	6,610,171	(865,228)	-

	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Transfer from Lifetime ECL credit impaired (Stage 3)	(25,643)	-	25,643	-	(31,346)	-	31,346	-
Net remeasurement of loss allowance	(98,870)	(57,513)	6,688,248	**6,531,865**	(31,186,502)	2,666,765	6,315,738	**(22,203,999)**
New financial assets originated or purchased	108,437	48,650	6,864,860	**7,021,947**	84,990,964	36,187,962	39,828,523	**161,007,449**
Financial assets derecognised	(83,710)	(1,549,740)	(585,560)	**(2,219,010)**	(105,298,748)	(40,042,563)	(20,437,190)	**(165,778,501)**
Write off	-	-	(5,585,272)	**(5,585,272)**	-	-	(11,663,903)	**(11,663,903)**
Balance at 31 Dec 2020	**167,984**	**89,867**	**21,691,155**	**21,949,006**	**169,166,210**	**43,456,111**	**71,501,499**	**284,123,820**

Loan commitments and financial guarantee contracts

	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Balance at 1 January 2021	88,451	23,867	1	**112,319**	69,205,006	8,343,392	2,370	**77,550,768**
Transfer from 12 months ECL (Stage 1)	(904)	904	-	**-**	(106,350)	106,350	-	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	**-**	-	-	-	**-**
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	**-**	-	-	-	**-**
Net remeasurement of loss allowance	30,084	(15,669)	-	**14,415**	(6,936,603)	-	139,220	**(6,797,383)**
New financial assets originated or purchased	125,952	-	76,665	**202,617**	21,240,663	180,000	15,469	**21,436,132**
Financial assets derecognised	(66,391)	(8,195)	(1)	**(74,587)**	(35,674,780)	(2,864,952)	(2,370)	**(38,542,102)**
Balance at 31 December 2021	**177,192**	**907**	**76,665**	**254,764**	**47,727,936**	**5,764,790**	**154,689**	**53,647,415**

	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Balance at 1 January 2020	372,288	-	-	**372,288**	102,770,518	137,610	-	**102,908,128**
Transfer from 12 months ECL (Stage 1)	69,467	(66,114)	(3,353)	**-**	(8,345,421)	8,343,051	2,370	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	**-**	-	-	-	**-**
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	**-**	-	-	-	**-**
Net remeasurement of loss allowance	(149,407)	89,640	3,354	**(56,413)**	4,357,030	-	-	**4,357,030**
New financial assets originated or purchased	-	341	-	**341**	18,443,974	341	-	**18,444,315**
Financial assets derecognised	(203,897)	-	-	**(203,897)**	(48,021,095)	(137,610)	-	**(48,158,705)**
Balance at 31 December 2020	**88,451**	**23,867**	**1**	**112,319**	**69,205,006**	**8,343,392**	**2,370**	**77,550,768**

b. Liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Management Risk, Control and Compliance Committee. The Management Risk, Control and Compliance Committee (MRCC) also monitors the liquidity gap and at first instance would source funds from market using interbank borrowings and as a last resort, use repo and reverse repo arrangements with the central banks.

The liquidity ratios at the reporting date and during the reporting period (based on month end ratios) were as follows:

	2021	2020
At 31 December	49.06%	50.3%
Average for the period	49.4%	48.7%
Highest for the period	54.0%	51.9%
Lowest for the period	49.2%	44.2%

The table below analyses financial and liabilities into relevant maturity groupings based on the remaining period at 31 December 2021 and 2020. The amounts are gross and undiscounted.

31 December 2021	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
ASSETS						
Cash and balances with central banks	207,498,145	-	-	-	-	207,498,145
Deposits and balances due from banking institutions	16,516,574	4,0767,500	-	-	-	57,284,074
Loans and advances to customers	43,780,086	15,901,123	13,657,246	93,944,095	29,525,585	196,808,135
Derivative financial assets	-	489,000	-			489,000
Government securities at Amortised cost	597,203	5,696,472	78,106,239	77,745,222	2,851,419	164,996,555
Government securities at FVTPL	-	431,984	7,115,405	-	-	7,547,389
Other assets	-	-	4,146,857	-	-	4,146,857
At 31 December 2021	**268,392,008**	**6,3286,079**	**103,025,747**	**171,689,317**	**32,377,004**	**638,770,155**
LIABILITIES						
Deposits from banks	15,003,883	-	1,823,587	-	-	**16,827,470**
Deposits from customers	326,001,862	54,442,305	137,017,423	61,066,113	-	**578,527,703**
Other liabilities	-	-	12,046,886	-	-	**12,046,886**
Lease liibilities	-	-	4,415,303	2,891,65		**7,306,486**
At 31 December 2021	**341,005,745**	**54,442,305**	**155,303,199**	**61,066,113**	**-**	**614,708,545**
On balance sheet liquidity gap	**(72,613,737)**	**8,843,774**	**(52,277,452)**	**110,623,204**	**32,377,004**	**24,061,610**

31 December 2020	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
ASSETS						
Cash and balances with the Central Bank	-	200,039,898	-	-	-	**200,039,898**
Deposits and balances due from banking institutions	-	90,797,648	-	-	-	**90,797,648**
Derivative financial assets	-	439,178		-	-	**439,178**
Government securities at Amortised cost	-	22,086,509	15,567,926	58,464,059	1,982,544	**98,101,038**
Government securities at FVTPL	-	2,868,643	1,206,679	-	-	**4,075,322**
Loans and advances to customers	-	64,773,075	91,504,468	68,142,301	37,754,970	**262,174,814**
Other assets	-	-	4,249,825	-	-	**4,249,825**
At 31 December 2020	-	**381,004,951**	**112,528,898**	**130,926,079**	**40,810,157**	**665,270,085**
LIABILITIES						
Deposits from banks	-	-	1,844,762	-	-	**1,844,762**
Deposits from customers	-	244,501,124	360,289,465	1,944,408	-	**606,734,997**
Other liabilities	-	-	15,496,454	-	-	**15,496,454**
Lease liabities	-	-		6,174,502	1,226,076	**7,400,578**
At 31 December 2020	-	244,455,014	377,604,232	8,118,910	1,226,076	**631,476,791**
On-balance sheet liquidity gap	**-**	**136,549,937**	**(265,075,334)**	**122,807,169**	**39,584,081**	**33,793,294**

Deposits from customers represent transactional accounts, savings accounts, call and fixed deposit balances, which past experience has shown to be stable.

c. Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spread (not relating to changes in the obligator's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments.

All trading instruments are subject to market risk, the risk that the future changes in market conditions may make an instrument less valuable or more onerous. The Bank manages its use of trading instruments in response to changing market conditions.

The Board of Directors have delegated responsibility for management of market risk to the respective Board Risk Committee. Exposure to market risk is formally managed within risk limits and policy guidelines issued by the Board, on recommendation of the Board Risk Committee. ALCO, a Management Committee is charged with the responsibility of ensuring implementation and monitoring of the risk management framework in line with policy guidelines. The Bank is primarily exposed to interest rate and foreign exchange risk.

The policy guidelines and procedures in place are adequate to effectively manage these risks.

Exposure to interest rate risk

This is the risk of loss from fluctuations in the future cash flows of fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the Bank's interest rate gap position reflecting assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates is shown below.

31 December 2021	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
ASSETS							
Cash and balances with central banks	-	-	-	-	-	207,498,145	**207,498,145**
Loans and advances to banks	16,526,764	40,757,310	-	-	-		**57,284,074**
Loans and advances to customers	12,031,637	15,901,123	13,657,246	125,692,544	29,525,585	-	**196,808,135**
Government securities at FVTPL	-	431,984	7,115,405	-	-	-	**7,547,389**
Government securities at amortised cost	597,203	5,696,472	78,106,239	77,745,222	2,851,419	-	**164,996,555**
Derivative financial assets	-	-	-	-	-	489,000	**489,000**
Other assets	-	-	-	-	-	4,146,857	**4,146,857**
At 31 December 2021	**29,155,604**	**62,786,889**	**98,878,890**	**203,437,766**	**32,377,004**	**212,134,002**	**638,770,155**
LIABILITIES							
Deposits from banks	15,003,883	-	1,823,587	-	-	-	**16,827,470**
Deposits from customers	325,970,774	54,135,090	132,660,175	60,948,179	-	-	**573,714,218**
Other liabilities	-	-	-	-	-	12,046,886	**12,046,886**
Lease liability	-	-	-	-	-	7,306,486	**7,306,486**
At 31 December 2021	**340,974,657**	**54,135,090**	**134,483,762**	**60,948,179**	**-**	**19,353,372**	**609,895,060**
Interest rate gap	**(311,819,053)**	**8,651,799**	**(35,604,872)**	**142,489,587**	**32,377,004**	**192,780,630**	**28,875,095**

31 December 2020	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
ASSETS							
Cash and balances with central banks	-	-	-	-	-	200,039,898	**200,039,898**
Loans and advances to banks	-	33,945,863	18,299,585	-	-	38,552,200	**90,797,648**
Loans and advances to customers	-	64,773,075	91,504,468	68,142,301	37,754,970	-	**262,174,814**
Government securities at FVTPL	-	2,868,643	1,206,679	-	-	-	**4,075,322**
Government securities at amortised cost	-	22,293,239	15,361,196	58,464,059	1,982,544	-	**98,101,038**
Derivative financial assets	-	-	-	-	-	439,178	**439,178**
Other assets		-	-		-	4,249,825	**4,249,825**
At 31 December 2020	**-**	**123,880,820**	**126,371,928**	**126,606,360**	**39,737,514**	**243,281,101**	**659,877,723**
LIABILITIES							
Deposits from banks	-	-	1,844,762	-	-	-	**1,844,762**
Deposits from customers	-	244,455,014	157,985,519	1,810,051	-	202,277,497	**606,528,081**
lease liability	-	-	-	-	-	7,400,578	**7,400,578**
Other liabilities	-	-	-	4,584,538	1,226,076	9,685,840	**15,496,454**
At 31 December 2020	**-**	**244,455,014**	**159,830,281**	**6,394,589**	**1,226,076**	**219,363,915**	**631,269,875**
Interest rate gap	**-**	**(120,574,194)**	**(33,458,353)**	**120,211,771**	**38,511,438**	**23,917,186**	**28,607,848**

Customer deposits held up to three months represent transactional accounts, savings accounts and term deposit account balances, which past experience has shown to be stable and of a long term nature.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that the interest earning assets (including investments) and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Bank's business strategies.

Sensitivity analysis

A change of 200 basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

31 December 2021	Profit or loss	Equity net of tax
200 basis points	Increase/decrease in basis points (Ushs'000)	Increase/decrease in basis points (Ushs'000)
Assets	(1,777)	(3,157)
Liabilities	8,023	(5,227)
Net position	6,246	(8,384)
31 December 2020	Profit or loss	Equity net of tax
Assets	(1,732)	(2,858)
Liabilities	8,544	(5,021)
Net position	6,812	(7,879)

Currency rate risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's transactional exposure gives rise to foreign currency gains and losses that are recognised in the profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. The table below analyses the currencies which the Bank is exposed to as at 31 December 2021 and 31 December 2020.

At 31 December 2021	USD	GBP	Euro	Other	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
ASSETS					
Cash and balances with central banks	103,095,513	435,075	705,818	103,261,739	207,498,145
Loans and advances to banks	-	-	-	57,284,074	57,284,074
Loans and advances to customers	125,769,006	-	-	71,039,129	196,808,135
Derivative financial assets	489,000				489,000
Government securities	51,669,461	3,681,794	2,740,221	106,905,079	164,996,555
Other assets	3,797,580	-	-	349,277	4,146,857
At 31 December 2021	284,820,560	4,116,869	3,446,039	338,839,298	631,222,766
Deposits from banks	-	-	-	16,827,470	16,827,470
Deposits from customers	320,691,249	4,963,307	4,651,685	243,407,977	573,714,218
Other liabilities	1,958,673	5,705	4,455	10078052.51	12,046,886
At 31 December 2021	322,649,922	4,969,012	4,656,140	270,313,500	602,588,574
Net position – 2021	(37,829,362)	(852,143)	(1,210,101)	68,525,798	28,634,192

At 31 December 2020	USD	GBP	Euro	Other	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
ASSETS					
Cash and balances with central banks	128,304,934	3,228,841	792,605	67,713,518	200,039,898
Loans and advances to banks	48,871,263	4,983,288	2,937,822	34,005,275	90,797,648
Loans and advances to customers	163,198,119	-	-	9,8976,695	262,174,814
Derivative financial instruments	439,178	-	-	-	439,178
Other financial assets at amortised cost	-	-	-	98,101,038	98,101,038
Other assets	922,493	-	-	3,327,332	4,249,825
At 31 December 2020	341,735,987	8,212,129	3,730,427	302,123,858	655,802,401
LIABILITIES					
Deposits to banks	-	-	-	1,844,762	1,844,762
Deposits from customers	335,797,948	8,145,513	-	262,584,620	606,528,081
Other liabilities	4,276,043	6,532	-	11,213,879	15,496,454
At 31 December 2020	340,073,991	8,152,045	-	275,643,261	623,869,297
Net position – 2020	1661,996	60,084	3,730,427	26,480,597	31,933,104

Sensitivity analysis
A reasonable possible strengthening or weakening of the USD, GBP, EUR against the Uganda shilling (UShs) would have affected the measurement of financial instruments denominated in foreign currency and effected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates remain constant.

At 31 December 2021	Profit or loss strengthening/ weakening of currency	Equity net of tax strengthening/ weakening of currency
	Ushs'000	Ushs'000
USD (± 2.5% movement)	1.73	3.08
GBP (± 2.5% movement)	0.03	0.04
EUR (± 2.5% movement)	0.02	0.04

At 31 December 2020	Profit or loss strengthening/ weakening of currency	Equity net of tax strengthening/ weakening of currency
	UShs'000	UShs'000
USD (± 2.5% movement)	2.05	3.4
GBP (± 2.5% movement)	0.02	0.0
EUR (± 2.5% movement)	0.05	0.1

The Bank's policy is to maintain a strong capital base so as to maintain regulatory, investor, creditor and market confidence and to sustain future development of business. The impact of the level of capital of shareholders' return is also recognized in addition to recognizing the need to maintain a balance between the higher returns that may be possible with greater gearing and the advantages and security afforded by sound capital position.

d. Capital management

Regulatory capital – Uganda
The Central Bank of Uganda sets and monitors capital requirements for banking industry in Uganda.

The objective of the Central Bank of Uganda is to ensure that a Bank maintains a level of capital which:

- is adequate to protect its depositors and creditors;
- is commensurate with the risks associated with its activities and profile
- promotes public confidence in the Bank.

The Bank maintains a ratio of common equity tier 1 capital to its risk weighted assets and total regulatory capital to its risk-weighted assets above the minimum levels of 10% and 12% respectively (2020) and 12.5% and 14.5%(2021) as established under the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018 and the Financial Institutions (Capital Bulfers and Leverage Ratio) Regulations, 2021.

The Financial Institutions (Capital Buffers) Regulations 2021 were issued in 2021 which will increase the Bank's minimum capital requirements from 10% and 12% to 12.5% and 14.5% for core and total capital respectively effective 31 December 2021.

The Central Bank of Uganda requires a bank to maintain at all times:

- Common equity tier 1 capital of not less than 12.5% of its total risk weighted assets, plus sum of risk weighted off-balance sheet items and market risk.
- Total capital of not less than 14.5% of its total risk weighted assets, plus sum of risk weighted off-balance sheet items and market risk.
- Leverage ratio at a minimum of 6%,that is common equity tier 1 as a ratio of total assets plus off balance sheet items.

The Bank's regulatory capital is analysed into two tiers:

- **Tier 1 capital:** permanent shareholder's equity, share premium, prior years' retained profits, net after tax profits current year to date (50% only), general reserves, less goodwill and other intangible assets, current year losses, investment in unconsolidated subsidiaries, deficiencies in provisions for losses, prohibited loans to insiders and other deductions determined by Central Bank
- **Tier 2 capital:** Revaluation reserves on fixed assets, unencumbered general provisions for losses, hybrid capital instruments and others and subordinated term debt.

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of the credit risk associated with each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2021 and 2020. During the year ended 31 December 2021, the Bank complied with the core capital ratio and the total capital ratio requirements to which it is subject.

However, I&M Bank (Uganda) Ltd was prudent in taking specific provisions on loans and advances as per Bank of Uganda prudential guidelines on credit classification regulations, 2005, which resulted into breach of Capital adequacy requirements as at 31 December 2020. However, the Directors prior to the breach had notified the shareholders, who took the remedial steps to arrest the breach through a resolution, dated 28 December 2020 committing to injection of Capital of Ushs 14,700,000,000.

The funds were subsequently received within the time lines stipulated by Bank of Uganda (forty five days from date of breach) as per the Financial Institution's Act, 2004 (as amended in 2016), Laws of Uganda, section 86, which corrected the breach.

The additional share capital was subsequently paid up on 2 February 2021.

The Financial Institutions (capital Buffers and leverage Ratio) Regulations, 2020 were gazetted and took effect on 31st December 2020. The key developments arising in the Regulations are the introduction of, a capital Conservation Buffer (CCB) of 2.5 % of risk weighted assets over and above the core capital ratio and total capital ratio, a systematic Risk Buffer for domestic systematically important banks (DSIBs) ranging from 0% to 3.5% of weighted assets over and above the CCB, a countercyclical Capital (Ccy) Buffer of 2.5% of risk weighted assets and a minimum Leverage Ratio of 6% of the total balance sheet and off-balance sheet assets.

All commercial Banks and credit institutions are expected to comply with the new Capital Conservations Buffer and Leverage Ratio, while domestic systematically important banks (DSIBs) should comply with the systematic risk buffer prescribed by BOU in accordance with the institution's systematic ranking.

Financial institutions that did not comply with the aforementioned regulations then, were granted a phase in period of twelve months starting from 31st December 2020, when the Regulations came into force,in which to build up capital buffers.

	2021	2020
	Ushs '000	Ushs '000
Tier 1 capital		
Share capital	132,000,000	96,750,000
Retained earnings	(28,612,073)	(24,716,375)
Less: Intangible assets	(1,773,227)	(3,043,717)
Less: Deferred income tax asset	(60,227,770)	(43,114,532)
Less: Unrealized foreign exchange gains	(626,881)	(33,455)
Less: Investment in subsidiary	-	(80,000)
Total qualifying Tier 1 capital	40,760,049	25,761,921
Tier 2 capital		
Revaluation reserve	-	1,195,445
General provisions	2,144,247	3,355,707
Total qualifying Tier 2 capital	2,144,247	4,551,152
Total regulatory capital	42,904,296	30,313,073
Risk-weighted assets:		
On-balance sheet	255,073,949	282,226,103
Off-balance sheet	27,352,392	47,431,205
Market risk	9,704,985	4,704,642
Total risk-weighted assets	292,131,326	334,361,950
Core capital ratio	13.95%	7.70%
Total capital ratio	14.69%	9.07%
Leverage ratio	5.2%	3.0%

The minimum required core, total capital and leverage ratios are 12.5%,14.5% and 6% respectively.

Contrary to Section 10 of the financial institutions capital buffers and leverage ration regulations 2020, the Bank's leverage ratio fell below the minimum requirement of 6% by 0.8%

	Nominal statement of financial position amounts		Risk weight	Risk weighted amounts	
	2021	2020		2021	2020
	Ushs '000	Ushs '000		Ushs '000	Ushs '000
Balance sheet assets (net of provisions)					
Cash and balances with Central Bank	207,498,145	200,039,898	-	-	-
Deposits and balances due from banking institutions	27,908,933	37,306,092	20%	5,581,787	7,461,218
ratings as follows;					
Rated AAA to AA(-)	64,892	86,503	20%	12,978	17,301
Rated A (+) to A (-)	17,042,289	26,533,906	50%	8,521,145	13,266,953
Rated A (-) to non-rated	12,767,150	70,077	100%	12,767,150	70,077
Government securities at Amortised cost	164,996,555	98,101,038	0%	-	-
Government securities at FVTPL	7,547,389	4,075,322	0%	-	-
Loans and advances to customers	214,423,380	243,108,836	100%	214,423,380	243,108,836
Right of use	4,267,031	5,392,362	100%	4,267,031	5,392,362
Deferred tax asset	60,227,770	43,114,532	0%	-	-
Property and equipment	5,353,621	8,659,531	100%	5,353,621	8,659,531
Intangible Assets	1,773,227	3,043,717	0%	-	-
Other assets	4,146,857	4,249,825	100%	4,146,857	4,249,825
Total assets	728,017,239	673,781,639		255,073,949	282,226,103
Off-balance sheet positions					
Performance bonds	3,903,152	2,325,549	50%	1,951,576	1,162,775
Guarantees	12,271,808	27,741,577	100%	12,271,808	27741577
Letters of credit	18,690,732	17,383,226	20%	3,738,146	3,476,645
Foreign currency contracts	489,000	439,178	0%	-	-
Unutilised commitments	18,781,724	30,100,416	50%	9,390,862	15,050,208
	54,136,416	77,989,946		27,352,392	47,431,205
Counterparty					
Government of Uganda and Bank of Uganda	-	-		-	-
Rated AAA to AA (-) and banks in Uganda	28,000	20,400		-	-
Rated A (+) to A (-)		-		-	-
Rated A (-) and non-rated	3,674	-		-	-
Total risk weighted CCR exposures	31,674	20,400		-	-
Interest rate risk	31,674	20,400	8.33	263,950	170,000
Foreign exchange risk	1,132,924	544,157	8.33	9,441,035	4,534,642
Market risk	1,164,598	564,557		9,704,985	4,704,642
Total risk-weighted assets	783,318,253	752,336,142		292,131,326	334,361,950

The breakdown of the Loans and advances to customers is as below;

	2021	2020
	Ushs '000	Ushs '000
Gross loans and advances	215,757,894	284,123,820
Less Interest Suspended	(309,290)	(5,047,100)
Less Specific Provisions	(1,025,223)	(35,967,884)
Net loans and advances	214,423,381	243,108,836

6. Use of Estimates and Judgement

Key sources of estimation uncertainty

a. Allowance for credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3(d)(iii) which also sets out key sensitivities of the ECL to changes in these elements.

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

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

The classification of financial assets includes the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. See Note 3(d)(ii).

The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL). See Notes 3(d)(iii) and 5(a).

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.
- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. See note 20(c)

b. Investments at amortized cost

The Bank follows the guidance of IFRS 9 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held at amortized cost. This classification requires significant judgement. In making this judgement, the Bank evaluates if;

i. the assets are held within a business model whose objective is to hold in order to collect contractual cash flows and

i. the contractual terms of the Bank's financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

If the Bank's financial asset satisfies both of these conditions, the bank measures the financial asset at amortized cost unless it is designated as at fair value through profit or loss (FVTPL) on initial recognition. Any of the Bank's Financial assets that do not meet the conditions stated above, are required to be subsequently measured at fair value through profit or loss except for investments in equity instruments not held for trading that are elected at initial recognition to be measured at fair value through other comprehensive income. Financial assets of the Bank that meets the condition in (b) above but do not meet the condition in in (a) above, may meet the criteria to be measured at fair value through other comprehensive income. See note 20(b)

c. Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

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

d. Useful lives of property and equipment

The Bank reviews the estimated useful lives of property and equipment at the end of each reporting period. The Directors believe that the useful lives estimated in these financial statements are appropriate. See note 22

7. Fair Value Hierachy

Accounting classifications at carrying amounts and fair values

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Accounting classifications at carrying amounts and fair values

31 December 2021	Carrying amounts					Fair value			
	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVTPL	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Financial assets									
Cash and balances with central banks	207,498,145	-	-	-	207,498,145	-	-	-	-
Loans and advances to banks	57,284,074	-	-	-	57,284,074	-	-	-	-
Loans and advances to customers	196,808,135	-	-	-	196,808,135	-	-	-	-
Financial assets at fair value through profit or loss (FVTPL)	-	-	7,547,389	-	7,547,389	7,547,389	-	-	7,547,389
Government Securities	164,996,555	-	-	-	164,996,555	-	-	-	-
Other assets	4,146,857	-	-	-	4,146,857	-	-	-	-
						-	-		
Financial liabilities							-	-	-
Deposits from banks	16,827,470	-	-	-	16,827,470	-	-		-
Deposits from customers	573,714,218	-	-	-	573,714,218	-	-	-	-
Other liabilities	12,046,886	-	-	-	12,046,886	-		-	-

31 December 2020	Carrying amounts					Fair value			
	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVTPL	Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Financial assets									
Cash and balances with central banks	200,039,898	-	-	-	200,039,898	-	-	-	-
Loans and advances to banks	90,797,648	-		-	90,797,648	-	-	-	-
Loans and advances to customers	262,174,814	-	-	-	262,174,814	-	-	-	-
Financial assets at fair value through profit or loss (FVTPL)	-	-	4,075,322	-	4,075,322	4,075,322	-	-	4,075,322
Investment in Subsidiary	-	465,670	-	-	465,670	465,670	-	-	465,670
Government Securities	98,101,038	-	-		98,101,038	-	-	-	-
Other assets	4,249,825	-	-	-	4,249,825	-	-	-	-
Financial liabilities							-		-
Deposits from banks	1,844,762	-	-	-	1,844,762	-	-	-	-
Deposits from customers	606,528,081	-	-	-	606,528,081	-	-	-	-
Other liabilities	15,496,454		-		15,496,454	-	-	-	-

8. Interest Income

	2021 Ushs '000	2020 Ushs'000
Loans and advances to customers	27,328,410	33,220,722
Loans and advances to banks	2,220,346	5,316,100
Investment securities:-		
At amortised cost	17,835,538	10,594,895
	47,384,294	49,131,717

9. Interest Expense

	2021 Ushs '000	2020 Ushs'000
Deposits from customers	697,611	618,300
Deposits from banks	16,964,767	16,609,237
Lease liabilities (Note 30)	208,216	636,312
	17,870,594	17,863,849

10. Net and Commission Income

	2021 Ushs '000	2020 Ushs'000
(a) Fee and commission income		
Commissions	7,064,517	6,471,696
Service fees	6,308,130	10,119,294
	13,372,647	16,590,990
(b) Fees and commission expense		
Interbank transaction fees	(149,907)	(14,750)
Net fee and commission income	13,222,740	16,576,240

The fees and commission presented include income of Ushs 646,005 (2020:Ushs 292,063) related to related to financial assets and financial liabilities measured at FVTPL.

Performance obligations & revenue recognition
Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies under IFRS 15
Retail, SME and corporate banking service.	The Bank provides banking services to retail. SME and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

11. Net Trading Income

	2021 Ushs '000	2020 Ushs'000
Income from foreign exchange dealings	5,810,843	5,629,168
Net income on financial assets at fair value through profit or loss (FVTPL)	2,036,451	962,652
	7,847,294	6,591,820

12. Other Operating Income

	2021	2020
Other income	Ushs '000	Ushs'000
Gain on sale of property and equipment	7,319,008	(263,956)
Gain on disposal of subsidiary	55,308	-
Other income	1,172,832	2,803,201
	8,547,148	2,539,245

During the period, the Bank disposed off Property at Plot 6/6A Kampala road and Busoga building-Jinja from which a gain on sale of Ush 7.3Bn was made.

13. Operating Expenses

		2021	2020
		Ushs '000	Ushs'000
(a)	Staff costs		
	Salaries and wages	14,389,311	13,368,740
	Contribution to defined benefit and contribution plan	2,575,703	2,324,686
	Other staff costs	1,384,137	1,134,221
		18,349,151	16,827,647
(b)	Premises and equipment costs		
	Utilities	606,360	867,658
	Other premises and equipment costs	6,019,923	7,586,673
		6,626,283	8,454,331
(c)	General administrative expenses		
	Deposit protection insurance contribution	2,443,786	2,901,073
	Other general administrative expenses	16,313,897	30,286,953
		18,757,683	33,188,026
(d)	Depreciation and Amortisation		
	Depreciation of property and equipment (Note 22)	1,973,223	3,122,800
	Amortisation of intangible assets (Note 23)	2,341,552	2,344,324
	Depreciation of right of use asset(Note 25)	2,277,576	2,786,216
		6,592,351	8,253,340

The average number of employees employed by the Company are as follows:

	2021	2020
Management	13	12
Others	301	310
	314	322

14. Profit Before Income Tax

	2021	2020
	Ushs'000	Ushs'000
Profit before income tax is arrived at after charging:		
Depreciation of property and equipment	1,973,223	3,122,800
Depreciation of right of use	2,277,576	2,786,216
Amortisation of intangible assets	2,341,552	2,344,324
Directors' emoluments: fees	773,364	890,137
Directors' emoluments: other	98,352	59,659
Auditor's remuneration	637,386	437,191
Gain on sale of property and equipment	7,319,008	(263,956)
Gain on disposal of subsidiary	55,308	-

15. Income Tax Credit

a. Income tax credit

	2021	2020
Current tax	Ushs'000	Ushs'000
WHT on government securities	(3,366,084)	(1,615,595)
Deferred tax (Note 24)		
Current year	16,510,903	14,376,599
Prior year adjustment	466,619	(8,551,671)
Income tax credit	13,611,438	4,209,333

b. Reconciliation of the effective tax rate Income tax expense for the bank's loss for the year

	Effective tax rate (%)	2021 Ushs'000	Effective tax rate (%)	2020 Ushs'000
Accounting loss before tax		(36,449,295)		(26,902,254)
Computed tax using the applicable corporation tax rate at 30% (2020 -30%)	30	(10,934,789)	30	(8,070,676)
Income tax not taxable	16	(5,956,933)	13	(3,454,857)
Expenses not deductible	1	380,819	1	377,731
PY under provision of deferred tax	1	(466,619)	32	8,551,671
Prior year assessment	-	-	12	(3,228,797)
Final tax on government securities	9	3,366,084	6	1,615,595
	37	(13,611,438)	16	(4,209,333)

16. Earning per Share

	2021	2020
	Ushs'000	Ushs'000
Net loss after tax attributable to owners of the company	(22,837,857)	(22,671,601)
Weighted average number of ordinary shares in issue during the year	132,000,000	96,750,000
Earnings per share (Ushs)	(0.17)	(23)

There were no potentially dilutive shares outstanding at 31 December 2021 (2020 – Nil)

17. Cash and Balances with Central Bank

	2021	2020
	Ushs'000	Ushs'000
Cash on hand	42,019,717	31,530,390
Balances with central banks:		
Restricted balances (Cash reserve ratio)	45,820,000	48,160,000
Unrestricted balances	119,658,428	120,349,508
	207,498,145	**200,039,898**

The Bank's Cash Reserve Ratio is non-interest earning and is based on the value of deposits as adjusted by Bank of Uganda. At 31 December 2021, the cash requirement was 4.25% (2020 – 5.25%) of eligible deposits. These funds are held with Bank of Uganda and are not available to the Bank for its day-to-day operations.

For purposes of the cash flow statement, cash and cash equivalents comprise cash and balances with the central bank excluding the cash reserve requirement held with the Bank of Uganda.

	2021	2020
	Ushs'000	Ushs'000
Cash and balances with central bank (note 17)	207,498,145	200,039,898
Restricted balances (Cash reserve ratio) (note 17)	(45,820,000)	(48,160,000)
	161,678,145	151,879,898

18. Loans and Advances due from banking institutions

	2021	2020
	Ushs'000	Ushs'000
Balances due from other banking institutions	17,015,764	38,804,222
Placements with other banks	40,767,500	52,105,200
Gross deposits and balances due from banking institutions	57,783,264	90,909,422
Less Expected Credit Losses (Note 20(c))	(499,190)	(111,774)
Net deposits and balances due from banking institutions	57,284,074	90,797,648

19. Loans and Advances to customers

a. Classification

	2021	2020
	Ushs'000	Ushs'000
Overdrafts	49,578,707	83,490,067
Loans	185,083,369	20,0633,753
Gross loans and advances	234,662,076	284,123,820
Less:Expected credit losses on loans and advances	(38,170,003)	(21,949,006)
Modification gains on restructured loans	736,416	-
Discount on staff loans	(420,354)	-
Net loans and advances	196,808,135	262,174,814

The movement in impairment loss reserves in compliance with IFRS 9 is disclosed on Note 20(c)

b. Impairment losses on loans and advances

2021	Loans and advances to customers at amortised cost	Loan commitments and financial guarantee contracts	Total banking
	Ushs'000	Ushs'000	Ushs'000
Net remeasurement of loss allowance	21,949,006	112,319	22,061,325
New financial assets originated or purchased	29,526,243	142,445	29,668,688
	51,475,249	254,764	51,730,013
Recoveries and impairment no longer required	(13,305,246)	-	(13,305,246)
	38,170,003	254,764	38,424,767

2020	Loans and advances to customers at amortised cost	Loan commitments and financial guarantee contracts	Total banking
	Ushs'000	Ushs'000	Ushs'000
Net remeasurement of loss allowance	45,500,869	120,034	45,620903
New financial assets originated or purchased	6,078,631	142,345	6,220,976
	51,579,500	262,379	51,841,879
Recoveries and impairment no longer required	(28,807,627)	(150,060)	(28,957,687)
Amounts directly written off during the year	(822,867)	-	(822,867)
	21,949,006	112,319	22,061,325

c. Non-performing loans and advances

Non-performing loans and advances net of impairment losses and estimated value of securities are disclosed in Note 5(a).

	2021 Ushs'000	2020 Ushs'000
Interest on impaired loans and advances which has not yet been received in cash	210,768	4,192,146

d. Loans and advances concentration by sector

	2021 Ushs'000	%	2020 Ushs'000	%
Manufacturing	28,485,138	12.1	5,035,204	1.8
Trade	51,316,947	21.9	69,389,704	24.4
Building,Mortgage, construction and Real estate	50,123,773	21.4	49,544,131	17.4
Agriculture	31,344,000	13.4	52,340,563	18.4
Hotels and Restaurants	25,547,311	10.9	24,025,904	8.5
Transport and communication	6,681,722	2.8	11,635,240	4.1
Business services	14,556,789	6.2	7,534,202	2.6
Educational Services	21,368	0.0	1,009,754	0.4
Mining and quarrying	354,336.	0.2	84,299	0.0
Food, Beverages and Tobacco	2,091,247	0.9	9,085,031	3.2
Community, Social and Other Services	982,697	0.4	8,678,195	3.1
Chemical, Pharmaceuticals, Plastic and metal Products	2,218,093	0.9	22,183,970	7.8
Personal Loans and Household Loans	20,618,263	8.8	7,831,161	6.3
Textiles, Apparel and Leather	320,392	0.1	5,746,462	2.0
	234,662,076		284,123,820	

20. Financial Assets

a. Financial assets at fair value through profit or loss (FVTPL)

i. Derivative assets

	2021 Ushs'000	2020 Ushs'000
Derivative assets	489,000	439,178
	489,000	439,178

Derivatives held for trading are generally related to products that the Bank provides to its customers. The Bank may also take positions with the expectation of profiting from favourable movements in rates. Most of the trading portfolio is within the Bank's treasury department and is treated as trading risk for risk management purposes.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts, The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

	Carrying amount	Notional amount	Derivative asset
31 December 2021	Ushs'000	Ushs'000	Ushs'000
Derivative assets	12,896,500	12,407,500	489,000
	12,896,500	12,407,500	489,000

	Carrying amount	Notional amount	Derivative asset
31 December 2020	Ushs'000	Ushs'000	Ushs'000
Derivative assets	14,274,178	13,835,000	439,178
	14,274,178	13,835,000	439,178

ii. Government Securities

	2021 Ushs'000	2022 Ushs'000
Government securities	7,547,389	4,075,322
	7,547,389	**4,075,322**

b. Other financial assets at amortised cost

	2021 Ushs'000	2020 Ushs'000
At amortised cost		
Treasury bills maturing within 91 days of the date of acquisition	2,441,172	1,657,923
Treasury bills maturing after 91 days of the date of acquisition	37,888,958	25,715,995
Treasury bonds	124,666,425	70,727,124
Gross other financial assests at amortised cost	**164,996,555**	**98,101,042**
Less Expected Credit Losses (Note 20(c))	-	(4)
Net other financial assets at amortised cost	**164,996,555**	**98,101,038**

Government securities are debt instruments issued by bank of Uganda. The bank decides at inception whether to classify them under amortised cost or fair value through profit and loss. The weighted average effective interest rate on government securites as at 31st December 2021 was 12.1% (2020 was 13.2%)

c. Expected credit losses on financial assets

	2021 Ushs'000	2020 Ushs'000
Balances due from other banking institutions	(102,035)	(2,149)
Government Securities	(4)	1
Off balance sheet items	142,445	(253,930)
Loans and advances	45,461,268	17,413,433
Placements	489,451	(3,272)
Modification gains	(736,416)	-
	45,254,709	**17,154,083**

Movement in ECL during the period

	As at 1 January 2021	Movement during the year	Write offs	Modification gains	P&L Effect	As at 31 December 2021
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	
Balances due from other banking institutions	102,035	(102,035)	-	-	(102,035)	-
Government securities	4	(4)	-	-	(4)	-
Off balance sheet items	112,319	142,445	-	-	142,445	254,764
Loans and advances (19a)	21,949,006	29,526,243	15,935,025	-	45,461,268	38,170,003
Placements with Banking institutions	9,739	489,451	-	-	489,451	499,190
Modification gains	-	-	-	(736,416)	(736,416)	(736,416)
	22,173,103	**30,056,100**	**15,935,025**	**(736,416)**	**45,254,709**	**38,187,541**

2020	As at 1 January 2020	Movement during the year	Write offs	Modification gains	P&L Effect	As at 31 December 2020
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	
Balances due from other banking institutions	104,185	(2,149)	-	-	(2,149)	102,035
Government securities	3	1	-	-	1	4
Off balance sheet items	372,285	(253,930)	-	-	(253,930)	112,319
Loans and advances (19a)	16,199,476	11,334,802	6,078,631	-	17,413,433	21,949,006
Placements with Banking institutions	6,974	(3,272)	-	-	(3,272)	9,739
	16,682,923	**11,075,452**	**6,078,631**	-	**17,154,083**	**22,173,103**

The change in the carrying amount of investment securities held by the Bank is as shown below:

	Financial assets at fair value through profit or loss (FVTPL)	Other financial assets at amortised cost	Total
	Government securities	Government securities	
	Ushs'000	Ushs'000	Ushs'000
31 December 2021			
At 1 January 2021	4,075,322	98,101,041	102,176,363
Additions	62,134,500	102,949,878	165,084,378
Disposals and maturities	(58,372,822)	(33,415,967)	(91,788,789)
Amortisation of discounts and premiums, unearned interest and interest receivable	(289,611)	(2,638,397)	(2,928,008)
At 31 December 2021	7,547,389	164,996,555	172,543,944
31 December 2020			
At 1 January 2020	7,036,412	68,800,728	75,837,140
Reclassification	-	-	-
Additions	4,200,000	50,868,050	55,068,050
Disposals and maturities	(6,997,277)	(20,595,881)	(27,593,158)
Amortisation of discounts and premiums, unearned interest and interest receivable	(163,813)	(971,859)	(1,135,672)
At 31 December 2020	4,075,322	98,101,038	102,176,360

21. Investment in subsidiary

	2021	2020
	Ushs '000	Ushs '000
Equity securities – at fair value:		
– Equity Stock Brokers Limited	-	465,670
Total investment in subsidiary	-	465,670

Fair Value Reserve	2021	2020
	Ushs '000	Ushs '000
At 1 January	269,969	248,648
Fair value (loss)/gain	(33,555)	30,457
Deferred tax on fair value	10,067	(9,136)
	246,481	269,969
Disposal of Subsidiary	(246,481)	-
Fair value net of tax	-	269,969

On 30th April 2021, the bank disposed of its subsidiary Equity Stock Brokers and thus the fair value reserve has been taken to zero.(Note 3(e) for fair value assumptions).

22. Property and equipment

2021:	Land	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Computers	Motor vehicles	Capital work in progress	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Cost/Valuation								
At 1 January	2,485,750	4,060,000	3,768,380	7,487,760	9,923,760	915,699	846,261	**29,487,610**
Additions	-	-	-	539,914	1,126,872	236,478	1,404,009	**3,307,273**
Disposals	(2,485,750)	(4,060,000)	(786,169)	(674,232)	(91,178)	(52,599)		**(8,149,928)**
Transfer of WIP	-	-		-	-	-	(565,915)	**(565,915)**
At 31 December	-	-	2,982,211	7,353,442	10,959,454	1,099,578	1,684,355	**24,079,040**
Depreciation							-	
At 1 January	1,243,823	1,490,946	2,876,434	5,737,407	8,820,439	658,630	-	**20,827,679**
Charge for the year	32,863	71,050	206,401	686,723	827,810	148,376	-	**1,973,223**
Eliminated on disposal	(1,276,686)	(1,561,996)	(577,138)	(528,454)	(80,056)	(51,153)	-	**(4,075,483)**
At 31 December	-	-	2,505,697	5,895,676	9,568,193	755,853	-	**18,725,419**
Net book value at 31 December	-	-	476,514	1,457,766	1391261	343,725	1,684,355	**5,353,621**

2020:	Land	Buildings	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Computers	Motor vehicles	Capital work in progress	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Cost/Valuation								
At 1 January	2,485,750	4,060,000	6,038,051	11,507,879	12,659,301	1,236,145	358,518	**38,345,644**
Additions	-	-	17,266	57,002	1,010,853	-	487,343	**1,572,464**
Disposals	-	-	(2,286,937)	(4,077,121)	(3,746,394)	(320,446)	-	**(10,430,898)**
At 31 December	2,485,750	4,060,000	3,768,380	7,487,760	9,923,760	915,699	84,5861	**29,487,210**
Depreciation								
At 1 January	1,112,370	1,206,746	4,383,455	8,779,771	11,292,346	824,987	-	**27,599,675**
Charge for the year	131453	284,200	383,244	913,560	1,256,701	153,642	-	**3,122,800**
Eliminated on disposal	-	-	(1,890,265)	(3,955,924)	(3,728,608)	(319,999)	-	**(9,894,796)**
At 31 December	1,243,823	1,490,946	2,876,434	5,737,407	8,820,439	658,630	-	**20,827,679**
Net book value at 31 December	1,241,927	2,569,054	891,946	1750,353	1,103,321	257,069	845,861	**8,659,531**

23. Intangible Assets

Computer software

2021:	Computer Software	Total
Cost	Ushs'000	Ushs'000
At 1 January	21,643,610	21,643,610
Additions	505,148	505,148
Transfer from WIP	565,915	565,915
At 31 December	22,714,673	22,714,673
Amortisation		
At 1 January	18,599,894	18,599,894
Amortisation for the year	2,341,552	2,341,552
At 31 December	20,941,446	20,941,446
Carrying amount at 31 December	1,773,227	1,773,227
2020:		
Cost		
At 1 January	20,704,302	20,704,302
Additions	1,352,942	1,352,942
Disposals	(413,634)	(413,634)
At 31 December	21,643,610	21,643,610
Amortisation		
At 1 January	16,669,202	16,669,202
Amortisation for the year	2,344,324	2,344,324
Disposal	(413,633)	(413,633)
At 31 December	18,599,893	18,599,893
Carrying amount at 31 December	3,043,717	3,043,717

24. Deferred Tax Assets

Deferred tax assets at 31 December 2021 and 31 December 2020 are attributable to the following:

2021:	Balance at 1 January	Charge to OCI	Prior year under provsision	Charge to Profit or Loss	Balance at 31 December
	Ushs'000	Ushs'000		Ushs'000	Ushs'000
Accelerated Capital Allowances	(470,066)	-	(128,765)	(488,319)	(1087,150)
Short Term Timing Differences	2,191,749	-	1,238,170	(16,375,296)	(12,945,377)
Tax Losses	(44,971,931)	-	(1,576,024)	352,712	(46,195,243)
Fair value capital gain/ Revaluations	135,716	(135,716)	-	-	-
	(43,114,532)	**(135,716)**	**(466,619)**	**(16,510,903)**	**(60,227,770)**

2020	Balance at 1 January	Charge to OCI	Prior year under provsision	Charge to Profit or Loss	Balance at 31 December
	Ushs'000	Ushs'000		Ushs'000	Ushs'000
Accelerated Capital Allowances	(895,319)	-	609,369	(184,131)	(470,081)
Short Term Timing Differences	(7,061,485)	-	7,896,186	1,357,062	2,191,763
Tax Losses	(29,716,295)	-	293,895	(15,549,530)	(44,971,930)
Fair value capital gain/ Revaluations	712,976	(329,481)	(247,779)	-	135,716
	(36,960,123)	**(329,481)**	**8,551,671**	**(14,376,599)**	**(43,114,532)**

25. Right of Use Asset

	2021	2020
	Ushs'000	Ushs'000
Cost		
Balance at 1 January	9,552,030	12,739,570
Additions	1,679,282	290,949
Disposal	(2,433,710)	(3,478,489)
Balance at 31 December	8,797,602	9,552,030
Accumulated depreciation		
At 1 January	4,159,668	3,010,727
Charge for the year	2,277,576	2,786,216
Disposals	(1,906,673)	(1,637,275)
At 31 December	4,530,571	4,159,668
	4,267,031	5,392,362

26. Other Assets

	2021	2020
	Ushs'000	Ushs'000
Prepayments	2,556,256	2,433,196
Other receivables	1,590,601	1,816,629
	4,146,857	**4,249,825**

27. Deposits due to other banks

	2021	2020
	Ushs'000	Ushs'000
Deposits due to other banks	16,827,470	1,844,762
	16,827,470	**1,844,762**

The weighted average effective interest rate on deposits due to other banks is 2%,(2020-4%).

28. Deposits from customers

	2021	2020
	Ushs'000	Ushs'000
Demand deposits	309,175,368	265,611,503
Saving deposits	108,957,245	122,775,445
Time deposits	155,581,605	218,141,133
	573,714,218	**606,528,081**

The weighted average effective interest rate on deposits from customers is 2%,(2020-2%).

29. Other Liabilities

	2021	2020
	Ushs'000	Ushs'000
Provisons and accruals	8,657,309	7,089,593
Other accounts payables	3,134,812	8,288,505
ECL on off balance sheet items*	254,765	118,356
	12,046,886	**15,496,454**

**This represents impairment allowance for loan commitments and financial guarantee contracts.*

30. Lease Liability

The bank leases a number of branches and office premises. The leases typically run for a period of 5 to 10 years, with an option to renew the lease after that date.

For all leases, payments are renegotiated at the point of renewal to reflect the market rent.

Below is the analysis of the lease liabilities during the year:

a. Lease liability movement

	2021	2020
	Ushs'000	Ushs'000
Balance at 1 January	5,810,614	9,307,287
Additions	1,213,156	290,949
Disposal	(345,878)	(2,231,462)
Interest expense	208,216	636,312
Lease payments	(2,470,805)	(2,192,472)
Balance at 31 December	**4,415,303**	**5,810,614**

b. Amount recognized in profit or loss

	2021	2020
	Ushs'000	Ushs'000
Interest on lease liabilities (Note 30)	208,216	636,312
Depreciation of right to use asset (Note 25)	2,277,576	2,786,216
	2,485,792	**3,422,528**

c. Amount recognized in statement of cash flows

The total cash outflow for leases in the year was:

	2021 Ushs'000	2020 Ushs'000
Payment of principal portion of the lease liability	2,262,589	1,556,160
Interest paid on lease liabilities	208,216	636,312
Total	**2,470,805**	**2,192,472**

d. Extension options

Some leases of office premises contain extension options exercisable by the Bank up to one year before the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility.

The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

31. Share Capital and Reserves

a. Share capital

	2021 Ushs '000	2020 Ushs '000
Authorised		
1 January and 31 December	150,000,000	100,000,000
Issued and fully paid		
1 January and 31 December	132,000,000	96,750,000

All the ordinary shares that rank equally with regard to the Company's residual assets, are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Company.

The nominal share capital is 100,000,000 shares each valued at Ushs 1000.

	Number of shares '000	Ordinary share capital Ushs'000
At the start of the year	96,750	96,750,000
Issue of Ordinary shares	35,250	35,250,000
At end of year	**132,000**	**132,000,000**

The banks registered authorised share capital was increased in January 2021 from Ushs 96.75 billion to Ushs 132 billion which is all paid up share capital as at 31 December 2021.The increase in paid up share capital from Ushs 96.75 billion to Ushs 132 billion was due to provision of more funds by the shareholders.

The major shareholders at 31 December 2021 were as follows:

	%	Number of shares '000	Share Capital Ushs'000
I&M Holdings Plc	90	118,800	118,800,000
Ketan Morjaria	5.5	7,260	7,260,000
Alemayehu Fisseha	4.5	5,940	5,940,000
	100	**132,000**	**132,000,000**

The movement in the share holding during the year was as follows;

	Number of shares '000' 1/1/2021	Transfer of shares to I&M Group '000'	Additional shares acquired during the year '000'	Number of shares '000' 31/12/2021
I&M Group PLC	-	87,075	31,725	118,800
Ketan Morjaria	7,650	(2,329)	1,939	7,260
Alemayehu Fissha	4,354	-	1,586	5,940
Morka Holdings Limited	32,107	(32,107)	-	-
Cornerstone MS Limited	40,635	(40,635)	-	-
Hemlata Karia	3,825	(3,825)	-	-
Jay Karia	3,825	(3,825)	-	-
Zhong Shuang Quan	4,354	(4,354)	-	-
	96,750	**-**	**35,250**	**132,000**

b. Statutory credit risk reserve

	2021 Ush'000	2020 Ush'000
Provisions as per Bank of Uganda guidelines		
FIA Specific provisions	1,025,223	35,967,884
FIA General provisions	2,144,247	3,355,707
	3,169,470	39,323,591
Provisions as per IFRS guidelines (Note 19)		
IFRS 9 expected credit loss	(3,8170,003)	(21,949,006)
	-	17,374,585

As at 31 December 2021, the regulatory reserve was UShs Nil billion (2020 - UShs 17.4 billion). The regulatory credit risk reserve represents an appropriation of retained earnings to comply with the Financial Institutions Act, 2004 (as amended in 2016). The balance in the regulatory reserve represents the extent to which provisions for loan loss determined in accordance with Financial Institutions Act, 2004 (as amended in 2016) exceed amounts determined in accordance with IFRS. The reserve is not distributable.

c. Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of FVOCI investments, excluding impairment losses, until the investment is derecognised. This is disclosed in the statement of changes in equity appearing on pages 39–40. On 30th April 2021, the bank disposed of its subsidiary Equity Stock Brokers and thus the fair value reserve has been taken to zero.

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32. Off balance sheet contingencies and commitments

a. Legal proceedings

There were a number of legal proceedings outstanding against the Bank at 31 December 2021. Provisions of up to Ush 2.5Bn have been made as professional advice indicates.

b. Contractual off-balance sheet financial liabilities

In the ordinary course of business, the Bank conducts business involving guarantees, acceptances and letters of credit. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows:

	2021 Ushs'000	2020 Ushs'000
Contingencies related to:		
Letters of credit	18,690,732	17,383,226
Guarantees	12,271,808	27,741,577
Performance bonds	3,903,152	2,325,549
Other credit commitments	18,781,724	30,100,416
	53,647,416	77,550,768
Commitments related to:		
Outstanding spot/forward contracts	489,000	439,178
	54,136,416	77,989,946

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.

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

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 almost immediate.

Forward contracts are arrangements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

The fair values of the respective currency forwards are carried on the face of the balance sheet.

33. Related party transactions

In the normal course of business, the Bank enters into transactions with related parties. All the loans and advances and deposits are issued or received from the related parties at market interest rates. There were no provisions held towards impairment of any of the advances to related parties.

Effective April 30,2021, I&M Group acquired 90% shareholding from 8 miles LLP and Morka Holdings Limited and became the majority shareholder with a total ownership of 1,188,000,000 shares directly in I&M Bank Uganda Limited. , I&M Group Bank became the ultimate controlling party.

The following are the Bank's related parties and their relationships;

- **Prime General supply:** Under common shareholding with I&M Bank (Mr. Alemayehu Fissha who directly owns 4.5% of shares in the Bank).
- **Stat pack (U) Ltd:** Mr. Alemayehu Fissha, Shareholder of I&M Bank is also shareholder/director in Stat Pack (U) Ltd .
- **GA Insurance:** GA insurance is an arm of I &M Group that has a 90% share holding in I&M Bank Uganda Ltd.
- **Afri Properties Ltd:** Under common shareholding with I&M Bank(Mr. Alemayehu Fissha who directly owns 4.5% of shares in the Bank).
- **Mark Development Co Ltd:** Mr. Ketan Morjaria, Shareholder and Non-Executive Director of I&M Bank is also shareholder in Mark Development Company Ltd.
- **Equity Stock Brokers (U) Ltd:** I&M Bank Uganda Limited held 80% shares in Equity Stock Brokers (U) Ltd till 30th April 2021 when it was disposed of.
- **Morka Group Ltd:** Morka Holdings held 33.188% shares in I&M Bank till 30th April 2021 and Mr. Ketan Morjaria is 100% shareholder of Morka Holdings Limited.

Transactions with related parties

			2021 Ushs'000	2020 Ushs'000
(a)	**Transactions with related companies**			
	(i)	Loans to related companies		
		Prime General supply	553,407	913,445
		Stat pack (U) Ltd	2,900	-
			556,307	913,445
	(ii)	Interest Income from loans to related companies		
		Prime General supply	113,117	37,917
		Stat pack (U) Ltd	846	-
			113,963	37,917
	(iii)	Deposits from related companies		
		Stat pack (U) Ltd	4,838,911	11,875,306
		GA Insurance	2,302,041	-
		Afri Properties Ltd	-	503,131
		Mark Development Co Ltd	-	2,050,395
		Morka Group Ltd	-	120,163
		Equity Stock Brokers (U) Ltd	-	142,048
			7,140,952	14,691,043
	(iv)	Interest expense on deposits from related companies		
		Mark Development Co Ltd	-	45,999
		Stat pack (U) Ltd	173	210,922
		GA Insurance	192	-
			365	256,921
(b)	Transactions with employees			
	(i) Staff loans		4,425,783	303,318
	(ii) Interest earned on staff loans		297,079	14,947
(c)	Management fees received		21,839	11,463
(d)	Management compensation		1,992,766	1,248,262

34. Capital Commitments

	2021 Ushs'000	2020 Ushs'000
Capital commitments	-	-

35. Other disclosures

a. Operational risk

The overall responsibility of managing operational risks - the risk arising from failed or inadequate internal processes, people, systems and external events - is vested with the Board of Directors. The Board through the Board Risk Committee, issues policies that guide management on appropriate practices of operational risk mitigation.An independent Risk Manager assures the Board Risk Committee of the implementation of the said policies.

The following are key measures that the Bank undertakes in managing operational risk:

- Documentation of procedures and controls, including regular review and updates to reflect changes in the dynamic business environment.
- Appropriate segregation of duties, including the independent authorisation of transactions
- Reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Reporting of operational losses and ensuring appropriate remedial action to avoid recurrence.
- Development and implementation of Business Continuity and Disaster Recovery Plans
- Training and professional development of employees to ensure they are well equipped to identify and mitigate operational risks in a timely manner.
- Establishment of ethical practices at business and individual employee's level.
- Implementation of Risk mitigation parameters, including insurance where this is considered effective.

The entire operational risk management framework is subjected to periodic independent audits (internal) in order for the Bank to obtain an independent opinion on the effectiveness and efficiency of the framework. Further, the findings of the Internal Audit department are reviewed by the Board Audit Committee and recommendations made implemented in line with the agreed timeframe.

b. Compliance and regulatory risk

Compliance and regulatory risk includes the risk of bearing the consequences of non-compliance with regulatory requirements. The compliance function is responsible for establishing and maintaining an appropriate framework of the Bank's compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

c. Environmental and social risks

Environmental and social risks are the risks that the Bank could bear the consequences of socio-environmental fall-out of transactions. Such risks could arise from failure of the Bank to assess the impacts of activities (of both the Bank and its clients) which could harm the environment or have negative social impact.

The Bank is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts and is thus committed to ensure that such risks are sufficiently managed through its environmental and social management policy and by adopting the country's labour and environmental laws.

An environmental and social management system is being put in place to ensure due diligence and monitoring of the environmental and social risk is done efficiently. Compliance to these laws is monitored by the compliance function.

The Directors are responsible for selection and disclosure of the Bank's critical accounting policies and estimates and the application of these policies and estimates.

36. Revaluation reserve

The revaluation reserve shows the effects from the revaluation of buildings after deduction of deferred income taxes. The revaluation surplus from 2020 was transferred to retained earnings in 2021 as the related assets were disposed off. The related assets were Property at Plot 6/6A Kampala road and Busoga building-Jinja.

	2021 Ushs'000	2020 Ushs'000
At start of year	1,195,445	1,564,023
Transfer of excess depreciation net of tax	-	(368,578)
Transfer of revaluation reserve to retained earnings	(1,195,445)	-
	-	**1,195,445**

37. Events after the reporting date

The directors are not aware of events after the reporting date that require disclosure or adjustment to the financial statement as at the date of this report.

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