I&M BANK UGANDA
ANNUAL INTEGRATED REPORT
& FINANCIAL STATEMENTS 2022

INNOVATING FOR A BETTER FUTURE

I&M Group


WE ARE ON
YOUR SIDE!
25813.41
34789.32
26784.96
32186.69
22896.58
54216.92
62487.74
32014.65
55210.87

Contents

ABBREVIATIONS

In this document we have used the following abbreviations;

ACL	Allowance for Credit Losses
ALCO	Assets and Liabilities Committee
BRC	Board Risk Committee
BALCO	Board Assets and Liabilities Committee
BSIC	Board Strategy and Investments Committee
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CMA	Capital Markets Authority
CPA	Certified Public Accountant
CRMC	Credit Risk Management Committee
CSR	Corporate Social Responsibility
COO	Chief Operations Officer
CISO	Chief Information Security Officer
EAD	Exposure At Default
ECL	Expected Credit Losses
ED	Executive Director
ESG	Environmental, Social and Governance
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	International Financial Reporting Standards
ISA	International Standards on Auditing
LGD	Loss given default
N/A	Not Applicable
OCI	Other Comprehensive Income
OPEX	Operating expense
PBT	Profit before tax
PD	Probability of default
PPE	Property and Equipment
SICR	Significant increase in credit risk
SPPI	Solely Payments of Principal and Interest
SME	Small and Medium Enterprises
Ushs	Uganda Shillings

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Suleiman Kiggundu	Chairman	Ugandan	
Mr. Chris Low	Non-Executive Director	British	
Mr. Bhartesh Shah	Non-Executive Director	Kenyan	
Mr. Sam Ntulume	Executive Director	Ugandan	Approved effective January 2022
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	Resigned effective 10th December 2022

COMPANY SECRETARY - Resigned effective 31st December 2022

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, Uganda

CORRESPONDENT BANKS

I&M Bank (Kenya) Limited
First Rand Bank LTD
Standard Chartered Bank NY
Standard Chartered Bank Frankfurt
Standard Chartered Bank Tokyo
Citibank New York

BRANCHES

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

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

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

Arua Branch
Plot 12, Avenue Road
Arua Municipality

Kingdom Kampala Branch
Plot 31A-35A, 37A-39A
Kingdom Kampala Building
P.O Box 3072, Kampala

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

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

Kololo Branch
Nyonyi Gardens
P.O. Box 36336 Kampala

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

Bweyogerere Branch
Plot 3964-3965, Jinja Road

Acacia Mall Branch
Plot 16/17 Wampewo Avenue

William Street Branch
Plot 44, William Street
Kampala

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022.

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 40, are as follows:

	2022 Ushs'000	2021 Ushs'000
Profit/ (Loss) before income tax	16,844,548	(36,449,295)
Income tax (charge)/credit	(11,226,810)	13,611,438
Profit/(Loss) for the year after tax	**5,617,738**	**(22,837,857)**

Net profit closed at Ushs 5.6 billion, which is a 125% increase from last year which is mainly attributed to a recovery on a written off loan on AIM Coffee during the period.

3. Emerging trends: Environmental, social and governance

The issue of sustainability and ESG is high on our agenda and continues to be a focus area of the Board. One of the Bank's strategic initiatives is to Build a resilient Organisation and a key achievement was the Board's approval of the ESG Policy which will govern the Bank's operations towards implementation of preferred ESG standards. The Board has the responsibility for development and oversight of our ESG strategy and program of the Bank. The strategy is further delegated to Board Risk Committee and implemented through the Management Risk Committee.

Net profit closed at **Ushs 5.6 billion**

Key events

The Bank celebrated a key milestone in 2022 to mark its one year rebrand anniversary to I&M Bank (Uganda) Limited. The rebrand was very successful and we wish to thank the Board, management, staff of the Bank and to all our key stakeholders especially our media partners that provided tireless support to ensure a seamless transition.

The Board is fully committed to I&M Bank (Uganda) Limited's aspiration to be Uganda's leading financial partner for growth.

Outlook and perspectives

The financial services industry is transforming with the swift evolutions in technology. These technology changes have impacted on how financial services are delivered to customers and this was heightened during the 2-year lockdown due to the Covid-19 pandemic.

Therefore, to keep abreast with the changes in technology, the Board approved a digital transformation strategy of the Bank to put in place best in class systems that will improve the Bank's delivery channels and provide customers with the desired experience. In the coming months the Board will work hard to implement its new strategy and equip itself for further changes in the technology and financial services environment.

For and on behalf of the Board, I take this opportunity to thank our Shareholders, management, and staff of the Bank for the support, hard work, and team spirit for the positive transformation of the Bank; I appreciate our dear customers for their loyalty and support and thank all stakeholders especially Bank of Uganda as our regulator who has supported the Bank in its transition.

4. Dividend

The directors do not recommend payment of any dividend for the year 2022 (2021- Nil).

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:

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

Approval of financial statements

The financial statements were approved and authorised for issue at a meeting of the Directors held on 20th March 2023 and 26th April 2023

BY ORDER OF THE BOARD

Secretary
SM Registrars Limited
Kampala

Mr. Suleiman Kiggundu
Chairman

STATEMENT OF THE BOARD CHAIRMAN

Introduction

2022 marked I&M Bank (Uganda) Limited's first full year as a member of I&M Group Plc. It has been a year of continued re-alignment, consolidation, and transformation to ensure the bank is well positioned to achieve its strategic aspiration of being Uganda's leading financial partner for growth.

Economic review

While the country is gradually recovering from the challenges of the COVID-19 pandemic and the recent Ebola outbreak, the economy continues to experience shocks arising from inflationary pressures and tight financial conditions related to supply disruptions created by the Ukraaine war and instability in the eastern Democratic Republic of Congo (a key trade partner in the Great Lakes region).

Tensions in relationships between the major actors in the afore-mentioned conflict, particularly between Russia, China, and USA, continue to have short- and long-term implications for the global economy. Nonetheless, domestic GDP growth is projected to improve to 5% for fiscal year 2022'2023.

Domestic GDP growth is projected to improve to **5% for fiscal year 2022'2023.**

Performance

I&M Bank reported a profit before tax of UGX 16.8 billion in 2022, a vast improvement over the loss of UGX 36.4 billion in 2021. These results underpinned a 11% growth in operating revenue, an improvement in the asset quality and strong bad debt recoveries.

We maintained sufficient liquidity throughout the year, supported by an 8.9 per cent growth in deposits.

The bank's performance is expected to continue to improve with increased efforts and focus on our transactional banking solutions (including digital banking and cash management solutions) and our continual investments in people, delivery channels and information technology.

Capitalisation

On November 16, 2022, the Minister of Finance Planning and Economic Development in consultation with Bank of Uganda (BOU) endorsed a new statutory instrument requiring commercial banks to have minimum paid up cash capital (share capital) of UGX 120 billion by December 31, 2022, and UGX 150 billion by June 30, 2024. The instrument also stipulated minimum capital funds unimpaired by losses (core capital) of UGX 120 billion from December 31, 2022, and UGX 150 billion after June 30, 2024.

I&M Bank raised its paid-up cash capital to UGX 150 billion in September 2022, which enabled it to comply with the newly revised capital adequacy requirements as of December 31, 2022, and June 30, 2024. However, losses accumulated in recent years as a result of conservative provisioning meant the bank's minimum capital funds unimpaired by losses had fallen below recently gazetted thresholds.

In accordance with the regulations, I&M Bank prepared and submitted its Capital Restoration Plan to Bank of Uganda in February 2023 and this has since been approved. The shareholders are committed to provide the necessary capital to strengthen the bank's capability to carry out its operations.

The shareholders are fully committed to the bank's operations and, following I&M Group Plc becoming the majority shareholder in April 2021, they have injected over UGX 48 billion in capital into the bank. The shareholders have reaffirmed their commitment to supporting I&M Bank's vision of becoming the leading financial partner for growth in Uganda, while complying with all regulatory requirements.
In short, aside from meeting minimum capital adequacy requirements, we continuously review our capital position to meet customer needs and expectations, even as we maximize shareholder value.

Governance

Strong governance structures and risk management underpin our operations. As a subsidiary of the I&M Group Plc, which is publicly listed on the Nairobi Securities Exchange, I&M Bank has adopted and adheres to the highest universally accepted corporate governance and risk management principles.

Environmental, Social, and Governance (ESG) is essential to running a sustainable business. We have thus developed policies and procedures to guide how we manages ESG matters that may potentially and/or actually impact on our operations and have embedded related practices through our activities.

Appreciation

On behalf of the Board, I would like to extend my gratitude to all the Board members for providing the necessary strategic oversight and insights into I&M Bank's operations. To Management and Staff, your dedication and service during these unprecedented and challenging operating times is admirable.

To all our customers, we appreciate your patronage and pledge to ensure that we meet and exceed your expectations as we realize our vision of being the first choice for your banking business.

I also take this opportunity to thank all other stakeholders, especially our various regulatory bodies and other business partners, for the cordial, supportive and mutually beneficial working relationships.

Lastly, I would like to sincerely appreciate the outgoing Managing Director and Chief Executive Officer – Mr. Kumaran Pather, for your leadership since January 2020. You have built a solid foundation during this time onto which those that will come after you will, will lean on, to take the Bank forward. We all wish you the best in your next endeavours.

Outlook

I&M Bank is committed to play a significant role in the national development of Uganda and we aim to continuously review our operations to meet your ever-changing needs. We look forward to further engagements during this year and in line with our brand promise, 'We Are on Your Side'.

Sam Ntulume
Executive Director and Chief Operations Officer

I&M Bank reported a profit before tax of **UGX 16.8 billion in 2022**

STATEMENT OF THE ACTING MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER

Introduction

The year 2022 availed us with an opportunity to consolidate the I&M brand and our promise 'We are on your side' in the Ugandan market. The brand has been very well received by our customers and other stakeholders. We have also been able to connect with the community within which we operate in various activities aligned to our pillars to support society's wellbeing.

During this year, we enhanced our digital banking offering by providing additional services and security, revamped our products & solutions with a view of creating sustainable value to our customers, employees, and shareholders. Our Kingdom Kampala branch comprising of a select banking suite for our premium banking customers and corporate centre for the corporate banking customers was opened to create convenience to our customers.

The Bank's integration project into the I&M Group Plc was successfully completed and the culture transformation project dubbed 'Pamoja' i.e., 'Together we Shine' was fully entrenched in the day-to-day activities during the year.

Financial performance and operations

Overall, our financial performance significantly improved in 2022. The Bank returned to profitability recording a profit before tax of UGX 16.8 billion compared to a loss before tax of UGX 36.4 billion achieved in 2021. This performance was largely attributed to a growth in revenue, recoveries of previously written off credit facilities and an improvement in the asset quality leading to reversal of provisions previously held.

The Bank recorded a 10.7 per cent year-on-year growth in its balance sheet, mainly supported and funded by an 8.9 per cent growth in customer deposits and 22.8 per cent growth in shareholders' equity.

Key highlights of the financial performance are as per the table below.

Financial & Capital Adequacy Highlights			
Net Operating Income **(before Expected Credit Losses)**	UGX 65.6 bn 11% ▲	Total Assets	UGX 786.5 bn 10.7% ▲
Operating Expenses	UGX 50.9bn 1.2% ▼	Net Loans & Advances	UGX 234 bn 18.9% ▲
Expected Credit Losses **(Financial Assets)**	UGX 2.1 bn (104.6)% ▼	Customer deposits	UGX 624.6 bn 8.9% ▲
Profit Before Tax	UGX 16.8 bn 146.2% ▲	Shareholders' Equity	UGX 127 bn 22.8% ▲
Profit After Tax	UGX 5.6 bn 124.6% ▲	Core Capital	UGX 68.9 bn 69.3% ▲
Leverage Ratio	8.0% 2.8% ▲	Total Capital	UGX 71.3 bn 66.3% ▲

Capital Adequacy

The Bank complied with all the capital adequacy requirements as of December 31, 2022, except the minimum capital funds unimpaired by losses (core capital) whose absolute amount was below the newly introduced minimum requirement of UGX 120bn.

The Board and shareholders have expressed their commitment to the regulator to ensure compliance with the new requirements within the regulatory timeframes as stipulated in the Financial Institutions Act, 2004 (as amended) and any other regulations and guidelines.

Appreciation

Let me use this opportunity to sincerely thank all our stakeholders with whom we have worked during the year.

To you our dear customers, we sincerely appreciate choosing us as your trusted financial partner. You have demonstrated the trust you have in us, and we pledge to continually ensure that we remain relevant and offer you the right solutions and services to support your aspirations.

To our employees, you have shown commitment and dedication in serving our customers, to which I am grateful. The Bank is committed to enhancing its Employee Value Proposition in line with its vision of being the company where the best people want to work.

I also sincerely thank the Board for your continued stewardship of the Bank and the guidance you provide to us, enabling us to undertake the Bank's operations efficiently and effectively.

Outlook

Looking ahead, we are cognizant of the ever-changing environment in which we operate. Customer experience, right products & solutions and relevance will continue to underpin our activities going forward. We remain steadfast and highly committed to creating value for our customers, employees, shareholders, and all other stakeholders irrespective of the various headwinds.

We shall continue pursuing opportunities to deliver positive impact to society in line with our 4 pillars i.e., Environmental conservation, Education & skills development, Economic empowerment and Enabling giving.

Together with all our stakeholders, we shall explore innovative ways of creating sustainable value for the mutual benefit of all.

STATEMENT ON CORPORATE GOVERNANCE

Governance Framework

The Board, being the overall custodian of good corporate governance, together with the Management Team, promotes and upholds the core fundamental principles of governance; accountability, fairness, transparency, and social responsibility in the way we conduct business and in all our processes.

The Board has consistently placed great importance on good corporate governance practices as it believes that this is vital in achieving the Bank's objectives in a sustainable manner.

The Bank as a licenced financial institution by Bank of Uganda, operates within a clearly defined governance framework established by the Board of Directors. It includes a robust management structure built on a platform of stringent internal controls 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 of Directors – Roles and Responsibilities

The Board is fully committed to ensure that the Bank conducts business and operations with integrity, transparency, and accountability across all levels.

The Bank adheres to and ensures compliance with the provisions of the Financial Institutions Act 2004 (as amended) and all laws that govern financial institution business in Uganda as well as international standards especially for the Bank's compliance framework.

The Board is governed by an internal Board Charter which stipulates the parameters within which the Board operates and ensures the application of the principles of good corporate governance in all its dealings. The charter sets out the roles and responsibilities of the Board, its committees, and individual Directors, including its composition and relevant procedures of the Board. The Charter is reviewed at least every two years to keep abreast with any developments and changes in the operating environment to improve its efficiency and effectiveness.

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.

Board Operations and Controls

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.

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 2022, the Board of Directors consisted of 8 members.

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

Directors and their benefits

During the financial year and up to the date of this report, other than as disclosed in Note 13 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 13 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.

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.

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.

Suleiman I. Kiggundu	*Board Chairman/ Independent Non- Executive Director*
Tenure on the Board	*Since July 2021*
Committee Memberships	None

Profile

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 chairs the CFS Group (a pan-African advisory & capital markets-oriented financial services group) and serves as a Non-Executive Director of various companies, including GA Insurance Uganda and Kampala Hospital locally.

Joram Kahenano	*Independent Non-Executive Director*
Tenure on the Board	*Since May 2011*
Committee Membership(s)	*Board Audit Committee (Chair)* *Board Risk Committee (Chair)*

Profile

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 Chairman of Council of Victoria University, Chairman Board of Directors of Uganda Protestant Medical Bureau, and Vice Chairman of the Board of Directors of the Joint Medical Store.

Francis Magambe Byaruhanga — *Independent Non-Executive Director*
Tenure on the Board — *Since June 2011*
Committee Membership(s) — *Board Credit Committee (Chair)*
Board Audit Committee
Board Nominations, Reward & Governance Committee
Board Assets & Liabilities Committee

Profile

Mr Byaruhanga holds a Masters' Degree in Business Administration from the University of Birmingham, UK. He has over 30 years of 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 sectors. He has worked with Infrastructure, rural water and sanitation projects on an executive level and was a Director of the Road Agency Formation Unit.

Chris Low — *Non-Executive Director*
Tenure on the Board — *Since March 2021*
Committee Membership(s) — *Board Strategy & Investments Committee (Chair)*
Board Risk Committee
Board Credit Committee
Board Nominations, Reward & Governance Committee

Profile

Chris Low is a financial services professional with over 30 years in senior leadership positions in the industry. Currently he is the Regional Director at I&M Group Plc and also advises a number of early stage FinTechs across Africa. Previously Chris held roles with the Department of International Trade, UK Government (Banking Advisor), 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. Chris is an Associate member of the Institute of Chartered Accountants in England & Wales, having graduated from St Peters College, Oxford University.

Ketan Morjaria — *Non-Executive Director*
Tenure on the Board — *Since 1993*
Committee Membership(s) — *Board Nominations, Reward & Governance Committee (Chair)*
Board Assets & Liabilities Committee
Board Credit Committee
Board Strategy & Investments Committee

Profile

Ketan Morjaria is a founder and Board Member of both Orient Bank Limited now I&M Bank (Uganda) Limited 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.

Bhartesh Shah — *Non-Executive Director*
Tenure on the Board — *Since July 2021*
Committee Membership(s) — *Board Assets & Liabilities Committee (Chair)*
Board Risk Committee
Board Strategy & Investments Committee
Board Audit Committee

Profile

Mr Shah's banking career spans more than 24 years having worked in senior management 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.

Kumaran Pather *Managing Director/ Chief Executive Officer*
Tenure on the Board *Since January 2020 to December 2022*

Profile

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 for 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. 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 and Chief Operations Officer*
Tenure on the Board *Since January 2022*
Committee Membership(s) *None*

Profile

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.

Induction, Orientation and 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	12th and 13th October 2022

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. Proceedings of all meetings are minuted by the Company Secretary and signed by the Chairperson of the meeting.

Board Attendance

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

Name of Director	04th March 2022 (Q1)	06th June 2022 (Q2)	02nd September 2022 (Q3)	05th December 2022 (Q4)	Total Board meetings attended in 2022
Mr. Suleiman Kiggundu Jr.	√	√	√	√	100%
Mr. Joram Kahenano	√	√	X	√	75%
Mr. Francis M. Byaruhanga	√	√	√	√	100%
Mr. Chris Low	√	√	√	√	100%
Mr. Ketan Morjaria	√	√	√	√	100%
Mr. Bhartesh Shah	√	√	√	√	100%
Mr. Kumaran Pather	√	√	√	√	100%
Mr. Sam Ntulume	√	√	√	√	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.

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
Chairperson	Independent Non-Executive Director	Independent Non-Executive Director
Members (Including Chairman)	• 2 Independent Non-Executive Directors. • 1 Non-Executive Director • Attendees • Chief Audit Executive • Chief Financial Officer • Head of Treasury	• 1 Independent Non-Executive Director • 2 Non–Executive Directors
Frequency Of Meetings	Quarterly	Quarterly
Main Functions	The Board Audit Committee (BAC) will assist the Board in providing structured, systematic oversight of the organisation's governance, risk management and internal control practices. The committee assists the board and management by providing advice and guidance on the adequacy of the organisation's 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 and 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.

Board Credit Committee	Board Assets & Liabilities Committee	Board Strategy & Investments Committee	Board Nomination, Reward & Governance Committee
Independent Non-Executive Director	Non-Executive Director	Non-Executive Director	Non-Executive Director
• 1 Independent Non- • Executive Director • 2 Non–Executive Directors	• 1 Independent Non- • Executive Director • 2 Non-Executive Directors	• 3 Non-Executive Directors	• 1 Independent Non-Executive Director • 2 Non-Executive Directors
Quarterly	Quarterly	Quarterly	Quarterly
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 and 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	Risk Management Committee
Chairman	MD/CEO	ED/COO
Members	• Managing Director/CEO • Executive Director/COO • Chief Financial Officer • Chief Business Officer • Head of Legal and Compliance (Secretary) • Head of Treasury • Head of Operations • Head of Human Resources • Head of Risk • Head of Products and Channels • Head of Marketing and Corporate • Communications • Head of IT	• Managing Director/CEO • Executive Director/COO • Chief Financial Officer • Chief Business Officer • Head of Legal and Compliance • Head of Risk (Risk) • Chief Business Officer • Head of Products and Channels • Head of Human Resources • Head of IT • Head of Operations • Head of Marketing and Corporate Communications
Frequency of meetings	Monthly	Monthly

Management Committees

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

	Executive Committee	Risk Management Committee
	• 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.

Management Committees

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

Management Credit Committee	Management Assets & Liabilities Committee	Management IT & Operations Committee	Management HR Committee
MD/CEO	MD/CEO	ED/COO	MD/CEO
• Managing Director/CEO • Executive Director/COO • Chief Financial Officer • Head of Treasury • Chief Business Officer • Head of Products and Channels • Head of Risk	• Managing Director/CEO • Executive Director/COO • Head of Credit • Chief Financial Officer • Credit Manager • Head of Risk • Head of Legal and Compliance Attendees • Chief Business Officer • Head of Products and Channels • Manager Credit Analysis • Team Leader Recoveries and Special Assets	• Executive Director/ COO • Head of IT • Head of Operations • Manager Projects • Manager IT Risk • Head of Products and Channels • Chief Business • Officer	• Managing Director/CEO • Executive Director/COO • Head of Human Resources • Manager Talent, • Learning and • Development (Secretary) • Head of Operations • Head of Products and Channels
Monthly	Monthly	Monthly	Quarterly

Management Committees

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

Management Credit Committee	Management Assets & Liabilities Committee	Management IT & Operations Committee	Management HR Committee
• 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 and 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 and mobility • Monitoring the implementation of bank's vision to be the desired employer to attract and retain talent

Management Committees (Continued)

	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 and 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 and Internal Controls

The Bank employs an enterprise risk management framework (ERMF) which outlines the highest-level principles for risk management by setting out standards, objectives, and key responsibilities of different groups of employees across the organization.
Our risk management framework sets out:

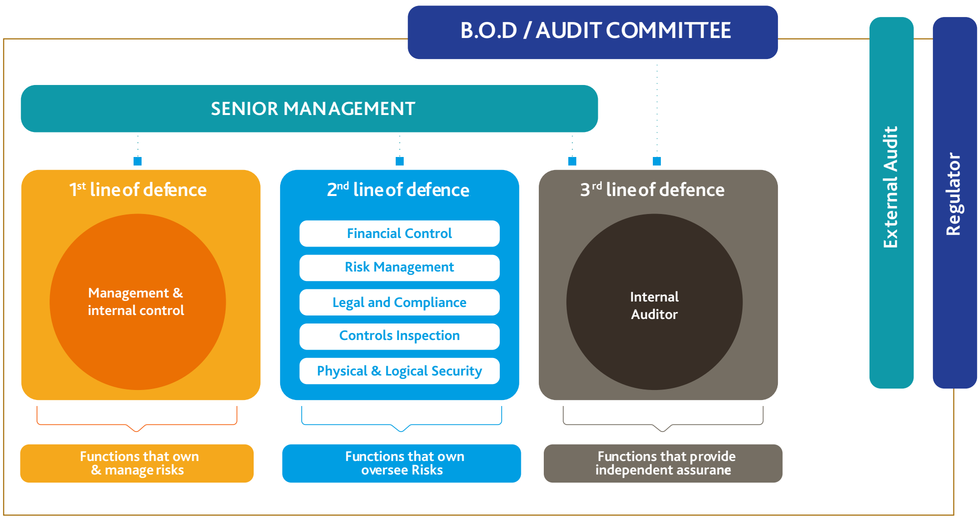
- Principal risks faced by the entity which guides the organisation of the risk management function.
- Risk appetite requirements. This helps define the level of risk we are willing to undertake in our business
- Risk management and segregation of duties. The risk management framework defines three lines of defence model.
- Roles and responsibilities for key risk management and governance structures

The ERMF is complimented by frameworks, policies, and procedures which are mainly aligned to the individual principal risks:

- Frameworks cover management processes for a collection of related activities and define associated policies used to govern them.
- Policies set out principles, control objectives, and other core requirements for the activities of the organization. Policies describe 'what' must be done.
- Procedures set out key control requirements that describe 'how' the requirements set out in the policy are met.

Segregation of duties – the 'three lines of defence' model.

The ERMF sets out a clear line of defence model. All employees are responsible for understanding and managing risks within the context of their individual roles and responsibilities as depicted and set out below.



• The first line of defence comprises all employees engaged in the revenue-generating and client-facing areas of the organization and all associated enabling functions, including Finance, Operations, Treasury, and Human Resources. The first line is responsible for identifying and managing the risks in which they are engaged in, developing a control framework, and escalating risk events / incidents to the Risk and Compliance functions.

- The second line is comprised of the Risk and Compliance functions. The role of this level is to establish the limits, rules and constraints, policies, and procedures under which the first line of defence activities shall be performed, consistent with the risk appetite approved by the Board. The second line also monitors the performance of the first line against the approved limits, rules, and constraints.

- The third line of defence is Internal Audit, who are responsible for providing independent assurance over the effectiveness of the governance, risk management and control over the current systemic and evolving risks.
- The Legal function provides support to all areas of the organization and is not formally part of any three lines, however it is subject to second line oversight with respect to operational and conduct risks.

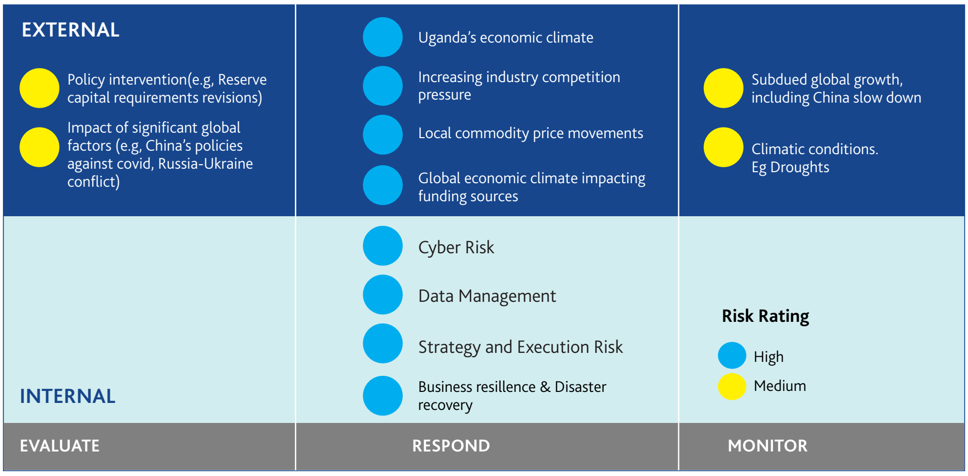
Risk Assessment and related activities

Material and Emerging Risks

Drawing from regular operating environment scans conducted by the risk management function, there are several emerging key risks, that influence or have the potential to influence our business over the short, medium, and long term. In addition, to these risks from the external environment, there are several risks specific to the Bank .

We continuously monitor risks arising from the macroeconomic, business, political, market and country-specific, developments which might impact our portfolios, and take pre-emptive risk management actions where appropriate.

The following graphic outlines the landscape of risks most material to our strategic ambitions, and the table describes the ways in which they impact/Influence our business and our mitigating actions.



Principal Risks

Our key risks – those that are foreseeable, continuous, and material – are categorized as indicated below. Each has a control framework with supporting policies and procedures.

Credit risk	The risk of financial loss, should our customers , clients, or market counterparties fail to fulfil their contractual obligations
Funding risk	The risk that we are unable t achieve our business plans because of capital and liquidity risk. ➢ **Capital risk**: The risk that we are unable to maintain adequate levels of capital. This could lead to an inability to support business activity, failure to meet regulatory requirements, and or changes to credit ratings – which could also result in increased cost or reduced capacity to raise funding. ➢ **Liquidity risk**: The risk that we are unable to meet our obligations as they fall due.
Operational risk	Operational risk arises from potential for direct or indirect losses due to human factors , inadequate or failed internal processes, systems, or external events. Operational risks monitored include: ➢ **Compliance risk:** The risk of legal or regulatory sanctions, material financial loss, or loss to reputation because of failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct. ➢ **Technology risk:** the risk of loss of business, customer transactability, reputation due to the impact of unavailable, unstable, or unsecure technology systems and infrastructure. ➢ **People risk:** the risk of loss due to inadequate people capacity or insufficiently trained personnel to support the business activities of the organization. ➢ **Innovation risk:** The risk of business disruption arising from any combination of (a) inadequate project management practices, (b) failure by a contracted third-party service provider to perform activities integral to the successful delivery of products or services or from (c) introduction of new technologies not adequately tested prior to implementation.
Market Risk	The risk that our earnings, capital or business objectives will be adversely impacted by changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices, or credit spreads.
Strategic risk	The risk of failing to achieve strategic goals, including financial targets and market share gain.
Group risk	The risk that an organization that is a part of an integrated financial services group structure as either a parent or a subsidiary is affected by problems arising within one or more members within the group.

A key fixture within the ERMF of the bank is the Risk Identification and Control framework. This framework provides guidance to the process of identifying, measuring, quantifying, and monitoring of the same. The key tools provided within the framework to fulfil the requirements include.

- The Risk and Controls Self-Assessment (RCSA) tool.
- Key Risk Indicators (KRI)
- Incident management reporting
- Materiality Matrix

The identification and measure of incidental shift and movements within the principal risks defined in the table above is provided below.

Risk Type	Risk Identification through	Risk Measurement
Credit risk	Annual RCSA workshops Stress testing Early warning indicator analysis Sensitive analysis	Portfolio at risk measures IFRS 9 modelling Concentration limits
Funding risk	Sensitivity analysis Annual RCSA workshop Stress testing KRI analysis	Floor and ceiling regulatory limits Concentration limits Stressed earnings/ liquidity
Operational risk	RCSA workshops KRI analysis Incident Management Scenario Analysis	Risk appetite limits Materility matrix KRI limits
Market risk	Stress testing	Stressed forex open positions
Strategic Risk	KRI monitoring	KRI limits
Group risk	RCSA workshops	Concentration limits

Risk Appetite

Risk appetite is defined as the level of risk which the organisation is prepared to accept in the conduct of their activities. It provides a basis for ongoing dialogue between management and the board with respect to the organization's current and evolving risk profile, allowing strategic and financial decisions to be made on an informed basis.

Risk appetite is approved by the I&M Bank Uganda Board, supported by limits to enable, and control specific exposures and activities that have material risk implications.

The current version of the bank's risk appetite statement, is aligned with the Basel II guidelines, and was approved by the Board in the third quarter of 2022.

Risk based Internal Audit and 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 the 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 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.

I&M Bank reported a profit before tax of **UGX 16.8 billion in 2022**

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 put 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 should 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)

I&M Bank fulfilled its Corporate Social Responsibility mandate and registered strides in the fields of Education & Skills enhancement, Economic Empowerment, Enabling Giving, and Environmental Conservation.

This was achieved through strategic partnerships, as well as engaging in activities that re-echo our motto; 'Were on your side'.

Enabling Giving

And as an affirmation of our commitment to support and give back to the community, the Bank joined other corporate partners to support the Kabaka Birthday Run 2022. I&M Bank Uganda fielded over 50 staff members that took part in the run, that was held under the theme 'Men Against HIV/AIDs to Save the Girl Child.'

The run which was flagged off at the Buganda Kingdom headquarters at Bulange in Mengo, attracted over 80,000 participants.

Furthermore, in our unwavering effort to strengthen the Bank's relationship with the Indian community, I&M Bank extended a financial boost of up to Shs30m towards the India Independence Day celebrations. This was done under our social pillar Enabling Giving.
The India Independence Day is an annual event that brings together over six thousand (6,000) people, mainly of Indian origin in Uganda. The proceeds from the event went towards the 100 Hearts Campaign, an initiative led by the Indian Association of Uganda, aimed at supporting heart surgeries for 100 children under the age of 18 years.

And as part of our activities to commemorate the Customer Service Week 2022, the Bank participated in a noble cause that not only helped to save lives, but deeply fostered a culture of voluntary blood donation amongst its employees and the society.
In partnership with the Uganda Blood Transfusion Services, we held a day long blood donation drive, at our headquarters along Kampala Road. Over 100 units of blood were received.

Education & Skills enhancement

In a bid to ramp up the education and skills development component of our CSR programme, I&M Bank Uganda held a study tour for Mbarara University finalist students that major in marketing and procurement, at our headquarters in Kampala.
The aim of the tour was to mentor and offer practical skills to tomorrow's business leaders.

Students were taken through curated course briefs in marketing and procurement, pointing them to practical and technical aspects that make a successful brand.

I&M Bank Uganda's Managing Director and Chief Executive Officer, Kumaran Pather briefed the students about I&M Bank Uganda, its core values, and pillars, in relation to how the bank intends to reposition itself in the Ugandan market.

Economic Empowerment

During its first year of operating in Uganda, I&M Bank identified challenges in the access and flow of financial knowledge across the market. It's against this background that the Bank organised a session to equip its customers with financial knowledge and a wide range of well researched options, as a way of empowering them to make better financial decisions.

I&M Bank's sister company, financial advisory giant I&M Burbidge Capital, partnered with BDO East Africa, and held a business symposium that helped equip the bank's loyal customers with innovative and practical solutions to their financial problems.

The business owners were also offered a full spectrum of financial recommendations for the growth of their businesses.
The customers went home equipped with knowledge in financial accounting, working capital, and most importantly contacts of experts at their disposal.

Environmental Conservation

Through our Environmental Conservation CSR pillar, the Bank contributed Shs 3m towards the Kids of Africa Swiss African Children's Village 'Kids of Africa Run'.

The run that was held on October 16th, 2022, was aimed at raising funds to improve sanitation in Katabi Town Council public schools.

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 the Bank. All Bank 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 2022, 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 IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards), and in the manner required by 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 (IFRS Standards), the Financial Institutions Act 2004 (as amended 2016) Laws of Uganda and the 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 on 20th March 2023 and 26th April 2023.

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 39 to 132, which comprise the statement of financial position as at 31 December 2022, 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) 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.

Emphasis of matter

We draw attention to Note 4(d) to the financial statements which stipulates that as at 31 December 2022, the Bank was below the minimum core capital requirement of Ushs 120 billion as at 31 December 2022. The Bank has a capital restoration plan as required by the law to be fully compliant by 30 June 2023. Our opinion is not modified in respect of this matter.

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

Expected credit losses on loans and advances to customers

Refer to Notes 3c(iii),4(a), 5(a),16 and 17(c) of the financial statements

Key audit matter

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 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, judgmental 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.

How the matter was addressed in our audit

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.
- Obtaining a sample and evaluating key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, loss given default, exposure at default and PD assumptions applied.
- Involving our FRM specialists in the review of the ECL methodology including PD, LGD, EAD modelling, macroeconomic overlay and the ECL computation with respect to theoretical foundation, input data and mathematical accuracy.
- Involving our FRM specialists to assess the key economic variables used as well as the overall reasonableness of the economic forecasts used.
- Assessing the accuracy of the ECL by recomputing the ECL using management's assumptions to determine the consistence of the methodology adopted by management.
- For stage 3 bucket, we considered the impairment indicators, uncertainties and assumptions applied by management in their assessment of the recoverabity of the exposure.
- Assessing the adequacy of disclosures in the financial statements, especially whether the credit risk disclosures appropriately disclose the key assumptions and judgements used in determining the expected credit losses in accordance with IFRS 7 Financial Instruments: Disclosures.

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 2022 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' responsibilities for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with (IFRS Standards) 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 the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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: 27th April 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2022 Ushs'000	2021 Ushs'000
Interest income	7	60,405,910	48,992,025
Interest expense	8	(19,126,467)	(17,870,594)
Net interest income		**41,279,443**	**31,121,431**
Fee and commission income	9(a)	10,499,112	11,764,916
Fee and commission expense	9(b)	(88,170)	(149,907)
Net fee and commission income		**10,410,942**	**11,615,009**
Revenue		**51,690,385**	**42,736,440**
Net trading income	10	6,513,696	7,847,294
Other operating income	11	7,481,466	8,547,148
Net operating income before change in expected credit losses		**65,685,547**	**59,130,882**
Expected credit losses on financial assets	17(c)(i)	2,077,261	(45,254,709)
Net operating income		**67,762,808**	**13,876,173**
Staff costs	12(a)	(21,214,652)	(18,349,151)
Premises and equipment costs	12(b)	(7,710,148)	(6,626,283)
General administrative expenses	12(c)	(16,755,914)	(18,757,683)
Depreciation and amortisation	12(d)	(5,237,546)	(6,592,351)
Operating expenses		**(50,918,260)**	**(50,325,468)**
Profit/(Loss) before income tax	**13**	**16,844,548**	**(36,449,295)**
Income tax (charge)/credit	14(a)	(11,226,810)	13,611,438
Net profit/ (loss) for the year after tax		**5,617,738**	**(22,837,857)**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Equity Stockbrokers at fair value	18	-	(33,555)
Deferred income tax on fair value	18	-	10,067
Total other comprehensive income for the year		**-**	**(23,488)**
Total comprehensive income for the year		**5,617,738**	**(22,861,345)**

The notes set out on pages 44 to 132 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	Note	2022 Ushs'000	2021 Ushs'000
ASSETS			
Cash balances with the central bank	15(a)	145,631,019	207,498,145
Deposits and balances due from banking institutions	15(b)	140,669,926	57,284,074
Loans and advances to customers	16(a)	234,077,403	196,808,135
Derivative financial assets	17(a)(i)	729,550	489,000
Government securities at amortised cost	17(b)(i)	156,956,769	164,996,555
Government securities at FVTPL	17(a)(ii)	29,960,385	7,547,389
Other assets	23	7,293,510	4,146,857
Property and equipment	19	8,556,930	5,353,621
Right of use assets	22	5,137,089	4,267,031
Investment in subsidiary	18	-	-
Intangible assets - software	20	2,642,714	1,773,227
Deferred tax asset	21	54,869,069	60,227,770
TOTAL ASSETS		**786,524,364**	**710,391,804**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits due to other banks	24	-	16,827,470
Deposits from customers	25	624,634,516	573,714,218
Other liabilities	26	20,394,822	12,046,886
Preference shares	28(b)	9,500,000	-
Lease liability	27(a)	4,989,361	4,415,303
		659,518,699	**607,003,877**
Shareholders' equity			
Issued capital	28(a)	150,000,000	132,000,000
Fair value reserve		-	-
Statutory credit risk reserve		-	-
Revaluation reserve		-	-
Accumulated losses		(22,994,335)	(28,612,073)
Total shareholders' equity		**127,005,665**	**103,387,927**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**786,524,364**	**710,391,804**

The financial statements set out on pages 39 to 132 were approved and authorised for issue by the Board of Directors on 20th March 2023 and were signed on its behalf by:

Director ____________________ Director ____________________ Director ____________________ Secretary ____________________

The notes set out on pages 44 to 132 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

2022:	Note	Share capital Ushs'000	Accumulated losses Ushs'000	Statutory credit risk reserve Ushs'000	Fair value reserve Ushs'000	Revaluation reserves Ushs'000	Total Ushs'000
At 1 January 2022		132,000,000	(28,612,073)	-	-	-	**103,387,927**
Total Comprehensive income		-		-	-	-	
Profit for the year		-	**5,617,738**	-	-	-	**5,617,738**
Total Comprehensive income		**-**	**5,617,738**	**-**	**-**	**-**	**5,617,738**
Transactions with equity holders							
Issue of share capital	28	18,000,000	-	-	-	-	**18,000,000**
Total transactions with equity holders		**150,000,000**	-	-	-	-	**150,000,000**
Balance as at 31 December 2022		**150,000,000**	**(22,994,335)**	**-**	**-**	**-**	**127,005,665**

The notes set out on pages 44 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	Accumulated losses Ushs'000	Statutory credit risk reserve Ushs'000	Fair value reserve Ushs'000	Revaluation reserves 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		-		-	-	-	
Accumulated losses			(22,837,858)	-	-	-	**(22,837,858)**
Total Comprehensive income		**-**	**(22,837,858)**	**-**	**-**	**-**	**(22,837,858)**
Transactions with equity holders							
Issue of share capital	**28**	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 Stockbrokers	**18**	-	-	-	(33,555)	-	**(33,555)**
Deferred tax - fair value reserve 18	**18**	-	-	-	10,067	-	**10,067**
Total other comprehensive income		-	-	-	**(23,488)**	-	**(23,488)**
Transfer of fair value reserve to accumulated losses	**18**	-	246,481	-	246,481	-	-
Transfer of revaluation reserve to accumulated losses		-	1,195,445	-	-	(1,195,445)	-
Deferred tax on disposal of assets and subsidiary		-	125,649	-	-	-	**125,649**
Transfer of credit risk reserve to accumulated losses		-	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 44 to 132 form an integral part of these financial statement

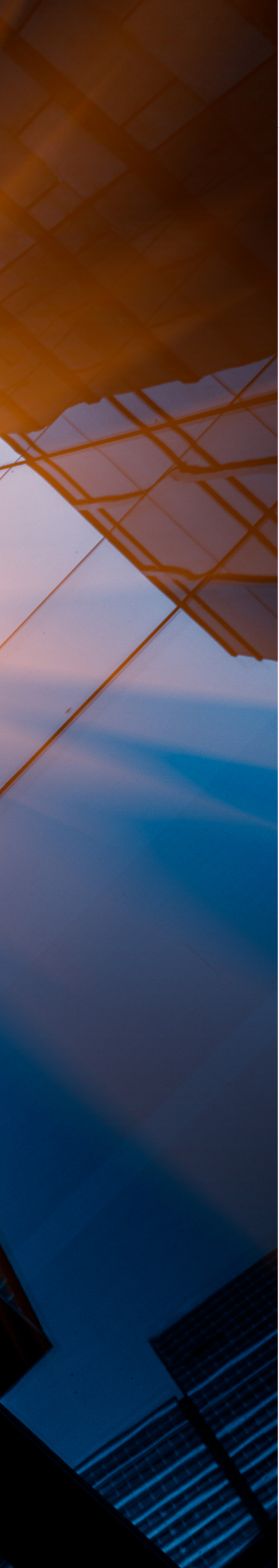
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 Ushs'000	2021 Ushs'000 Restated
Profit/ (loss) before income tax		**16,844,548**	**(36,449,295)**
Adjustments for:			
Depreciation on property and equipment	**19**	1,589,779	1,973,223
Depreciation on right of use asset	**22**	2,394,068	2,277,576
Amortisation of intangible asset	**20**	1,244,699	2,341,552
Interest on lease liabilities	**27(c)**	499,024	208,216
Loss on disposal of leases		(13,685)	181,158
Gain on disposal of subsidiary		-	(55,308)
Foreign exchange gain on leases	**27(a)**	(310,561)	-
Loss/(gain) on sale of property and equipment	**11**	679,953	(7,319,008)
Effect of exchange rate fluctuations		669,168	227,041
Profit before changes in operating assets and liabilities		**23,596,993**	**(36,614,845)**
Changes in:			
Cash reserve requirement		2,069,562	34,921,726
Deposits due to other banks		(16,827,470)	14,982,708
Derivative financial assets		(240,550)	(49,822)
Loans and advances		(37,269,268)	65,366,679
Government securities		8,039,786	(67,347,565)
Financial assets at FVTPL		(22,412,996)	(3,472,067)
Other assets		(3,146,653)	102,970
Customer deposits		50,920,298	(32,813,863)
Other liabilities		8,347,936	(3,449,568)
		13,077,638	**(28,373,647)**
Interest paid on leases	**27(c)**	(499,024)	(208,216)
Income taxes paid	**14**	(5,868,109)	(3,366,084)
Net cash flows used in operating activities		**6,710,505**	**(31,947,947)**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 Ushs'000	2021 Ushs'000 Restated
Financing activities			
Payment of lease liabilities	**27(c)**	(2,365,822)	(2,262,589)
Proceeds from issue of shares	**28(b)**	27,500,000	35,250,000
Net cash flows from/ (used in) financing activities		**25,134,178**	**32,987,411**
Financing activities			
Investing activities			
Purchase of property and equipment	**19**	(6,879,275)	(3,307,273)
Proceeds from sale of property and equipment		424,539	11,378,975
Proceeds from sale of subsidiary		-	487,422
Purchase of intangible assets	**20**	(1,141,491)	(505,148)
Net cash flows (used in)/from investing activities		**(7,596,227)**	**8,053,976**
Net (decrease)/increase in cash and cash		**24,248,456**	**9,093,440**
Effect of exchange rate fluctuations		(669,168)	(227,041)
Cash and cash equivalents at start of year		**251,543,945**	**242,677,546**
Cash and cash equivalents at the end of the year	15(c)	**275,132,233**	**251,543,945**

The notes set out on pages 44 to 132 form an integral part of these financial statements.



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 2022 have been approved for issue by the Board.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Bank's financial statements for the year 2022 have been prepared in accordance with IFRSs Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Companies Act 2012, Laws of Uganda and Financial Institutions Act, 2004 (as amended 2016) 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 on pages 106 and 107.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) 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(c)(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 presented in interest income;
- interest on financial assets and financial liabilities measured at FVTPL presented in net trading income

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.

(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, 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

I&M Bank reported a profit before tax of **UGX 16.8 billion in 2022**

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.

(b) 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.

(c) 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.

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI Test)

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 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.

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.

The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if the financial asset had been measured at amortised cost.

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.
- 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 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 4(a)).

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'.

Lifetime 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

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

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 are 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 4(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(c)(iii)) 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.

Credit-impaired financial assets

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.

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 maintained 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 42–43.

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; Presentation of allowance for ECL in the statement of financial position
(ii) The respective government ability to maintain sovereignty on its currency; and
(iii) The intentions and capacity, reflected in public

statements, of governments and agencies honour 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.

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.

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.

Financial liabilities

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

> *The shareholders have reaffirmed their commitment to supporting I&M Bank's vision of becoming the leading financial partner for growth in Uganda.*

v) Modifications of financial assets and inancial 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.

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

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.

(d) 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 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.

(e) 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.

(f) 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 useful life of an asset and the depreciation method applied is reviewed as a minimum at each annual reporting date. A change in the useful life or depreciation method is accounted for prospectively as a change in accounting estimate

When an item of property, plant and equipment is disposed of or permanently withdrawn from use, a gain or loss is recognised for the difference between any net proceeds received and the carrying amount of the asset. The amount of consideration included in the gain or loss on derecognition and subsequent changes in that amount are estimated under the requirements for determining the transaction price in IFRS 15.

The residual value and the useful life of an asset is be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment shall be derecognised:

- on disposal; or
- when no future economic benefits are expected from its use or disposal

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. The gain or loss on derecognition as part of a sale transaction or withdrawal from use is generally included in profit or loss. Gains are not classified as revenue.

(g) Intangible assets

The classification of an intangible asset depends on whether its useful life is finite or indefinite. An intangible asset has an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. A change in the useful life is accounted for prospectively as a change in estimate

Subsequent to initial recognition, an intangible asset with a finite useful life is amortised on a systematic basis over its useful life, which is reviewed at least at each annual reporting date. Amortisation begins when the asset is available for use and ceases at the earlier of the date that the asset is classified as held for sale in accordance with IFRS 5 and the date that the asset is derecognised. The amortisation is recognised on a straight line in the profit or loss for each period.

An intangible asset with an indefinite useful life should not be amortised. Its useful life should be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate.

Derecognition

An intangible asset is derecognised when:

- it is disposed of - in this case, the date of disposal is the date on which the recipient obtains control of the asset under the guidance on the satisfaction of performance obligations in IFRS 15
- no further economic benefits are expected from it - i.e., neither from its future use nor from its future disposal.

The gain or loss arising from the derecognition of an intangible asset is the difference between the net proceeds received, if there are any, and the carrying amount of the intangible asset. The amount of consideration included in the gain or loss on derecognition - and subsequent changes in that amount - is estimated under the requirements for determining the transaction price in IFRS 15.

The gain or loss on derecognition is included in profit or loss when the asset is derecognised. Gains are not classified as revenue.

Impairment

The Bank assesses at the end of each reporting period whether there is any indication that the intangible may be impaired. If any such indication exists, the Bank estimate the recoverable amount of the 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. Costs associated with maintaining software are recognised as an expense as incurred.

(h) 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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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.

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 right of use asset in a similar economic environment.

Lease extension and termination

Extension and termination options are included in a number of property and equipment leases. 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.

(i) Impairment of non-financial assets

At each reporting date, the bank reviews the carrying amounts of its non-financial assets other than deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash generating units.

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. Value in use is based on the estimated future cash flows, discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value for money and the risks specific to the asset or cash generating units.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amounts of the assets in the cash generating on a pro rata basis.

(j) 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.

(k) 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 Bank. The Bank's contributions are recognised in profit or loss in the year to which they relate.

The Bank also contributes to the National Social Security Fund. 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.

(l) 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.

(m) 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.

(n) 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.

(o) Contingent liabilities

These obligations commit the Bank to make payments on behalf of their customers, creating a credit risk as the customer needs to repay the Bank. Consequently, 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 credit loss is charged to profit or loss. Contingent liabilities have been disclosed on note 29.

(p) 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.

(q) Comparative information

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. Refer to note 32 for details of restatements.

(r) 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.

(s) New standards, amendments, and interpretations

(i) New standards, amendments, and interpretations effective and adopted during the year

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New amendments or interpretation	Effective for annual periods beginning on 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

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)

Amendments to IAS 37 Provisions, contingent liabilities, and contingent assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:

- the incremental costs – e.g., direct labour and materials; and
- an allocation of other direct costs – e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives will not be restated. Earlier application is permitted.

The amendments did not have a material impact on the Bank.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- costs associated with making the item of property, plant, and equipment available for its intended use.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the Bank first applies the amendments.

The amendments did not have a material impact on the Bank.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendment has:

- updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
- The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The amendments did not have a material impact on the Bank.

(ii) New standards, amendments, and interpretations in issue but not yet effective for the year ended 31 December 2022

At the date of authorisation of the financial statements of I&M Bank Uganda Limited for the year ended 31 December 2021, the following Standards and Interpretations were in issue but not yet effective

New amendments or interpretation Effective for annual periods beginning on or after

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) 1 January 2023
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts 1 January 2023
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28 Available for optional adoption/ effective date deferred indefinitely
- IFRS 17 Insurance Contracts (and its related amendments)
- IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified

approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted only if the entity applied IFRS 9.

The amendments are not expected to have a material impact on the Bank.

Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendments are to be applied retrospectively from the effective date.

The amendments are not expected to have a material impact on the Bank.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (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 joint venture 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 joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted. When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting.

Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV.

In either case, the loss is recognised in full if the underlying assets are impaired.

In response to this conflict and the resulting diversity in practice, on 11 September 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The amendments are not expected to have a material impact on the Bank.

4. 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.

i. 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.

ii. 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 have delegated responsibility of the management of credit risk to the Board Credit Committee. 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 counterparties 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.

iii. 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.

iv. 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. 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(c)(iii) for the explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired.

2022	PD ranges	12-month ECL (Stage 1)	Lifetime ECL Not Credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	Total 31 December
Risk classification		**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Loans and advances to Customers at amortised cost					
Grade 1-6: Strong	0-0.59	64,638,240	-	-	64,638,240
Grade 7-9: Satisfactory	0.06-11.34	115,135,538	38,956,571	-	154,092,109
Grade 10: Higher risk	11.35-99.9	-	491,833	-	491,833
Grade 11-12: Credit impaired	100	-	-	45,352,363	45,352,363
Gross carrying amount		**179,773,778**	**39,448,404**	**45,352,363**	**264,574,545**
Loss allowance		(202,773)	(88,646)	(27,824,787)	(28,116,206)
Modification gains		-	-	-	(39,401)
Discount on staff loans		-	-	-	(2,341,535)
Carrying amount		**179,571,005**	**39,359,758**	**17,527,576**	**234,077,403**

2021					
Risk classification		**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Loans and advances to Customers at amortised cost					
Grade 1-6: Strong	0-0.59	-	-	-	-
Grade 7-9: Satisfactory	0.06-11.34	150,004,211	30,121,499	-	180,125,710
Grade 10: Higher risk	11.35-99.9	-	288,447	-	288,447
Grade 11-12: Credit impaired	100	-	-	54,247,919	54,247,919
Gross carrying amount		**150,004,211**	**30,409,946**	**54,247,919**	**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		**149,482,229**	**30,398,431**	**16,611,413**	**196,808,135**

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

Loans and advances to customers	2022 Ushs'000	2021 Ushs'000
Identified impairment:		
Grade 3: Substandard	4,361,759	149,940
Grade 4: Doubtful	17,415,536	3,676
Grade 5: Loss	23,575,068	18,647,162
	45,352,363	**18,800,778**
Specific allowances for impairment	(27,824,787)	(18,711,159)
Carrying amount	**17,527,576**	**89,619**
Unidentified impairment:		
Grade 2: Watch	39,448,404	250,222
Grade 1: Normal	179,773,778	215,611,076
	219,222,182	**215,861,298**
Portfolio allowances for impairment	(291,419)	(19,458,844)
Carrying amount	**218,930,763**	**196,402,454**
Net carrying amount	**236,458,339**	**196,492,073**
Modification gains	(39,401)	736,416
Discount on staff loans	(2,341,535)	(420,354)
Total carrying amount	**234,077,403**	**196,808,135**

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.

Deposits and balances due from banks (placements)

2022	PD ranges	12-month ECL (Stage 1)	Lifetime ECL Not Credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	Total 31 December
Risk classification		Ushs'000	Ushs'000	Ushs'000	Ushs'000
Deposits and balances due from banks (placements)					
Grade 1-6: Strong	0-0.59	113,843,264	-	-	113,843,264
Gross carrying amount		**113,843,264**	**-**	**-**	**113,843,264**
Loss allowance		(310,331)	-	-	(310,331)
Carrying amount		**113,532,933**	**-**	**-**	**113,532,933**

Debt investment securities at amortised cost

2021					
Grade 1-6: Strong	0-0.59	40,767,500	-	-	40,767,500
Gross carrying amount		**40,767,500**	**-**	**-**	**40,767,500**
Loss allowance		(305,756)	-	-	(305,756)
Carrying amount		**40,461,744**	**-**	**-**	**40,461,744**

Debt investment securities at amortised cost

2022					
Grade 1-6: Strong	0-0.59	157,471,531	-	-	157,471,531
Gross carrying amount		**157,471,531**	**-**	**-**	**157,471,531**
Loss allowance		(514,762)	-	-	(514,762)
Carrying amount		**156,956,769**	**-**	**-**	**156,956,769**

Debt investment securities at amortised cost

2021					
Grade 1-6: Strong	0-0.59	164,996,555	-	-	164,996,555
Gross carrying amount		**164,996,555**	**-**	**-**	**164,996,555**
Loss allowance		-	-	-	-
Carrying amount		**164,996,555**	**-**	**-**	**164,996,55**

iv. Credit quality analysis-Guarantees and performance bonds

2022	PD ranges	12-month ECL (Stage 1)	Lifetime ECL Not Credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	Total 31 December
Risk classification		**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Guarantees and performance bonds					
Grade 1-6: Strong	0-0.59	4,855,553	-	-	4,855,553
Grade 7-9: Satisfactory	0.06-11.34	30,811,147	-	-	30,811,147
Total amount guaranteed		**35,666,700**	**-**	**-**	**35,666,700**
Loss allowance		(31,290)	-	-	(31,290)

2022					
Risk classification		**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Guarantees and performance bonds					
Grade 1-6: Strong	0-0.59	150,331	-	-	150,331
Grade 7-9: Satisfactory	0.06-11.34	10,259,839	5,764,790	-	16,024,629
Total amount guaranteed		**10,410,170**	**5,764,790**	**-**	**16,174,960**
Loss allowance		(72,077)	(907)	-	(72,984)

2022					
Risk classification		**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Loan commitments					
Grade 1-6: Strong	0-0.59	4,479,403	-	-	4,479,403
Grade 7-9: Satisfactory	0.06-11.34	17,825,391	-	-	17,825,391
Total loan commitments		**22,304,794**	**-**	**-**	**22,304,794**
Loss allowance		(9,727)	-	-	(9,727)

2021					
Risk classification		**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Loan commitments					
Grade 1-6: Strong	0-0.59	18,781,724	-	-	18,781,724
Total loan commitments		**18,781,724**	**-**	**-**	**18,781,724**
Loss allowance		(6,645)	-	-	(6,645)

iv. Credit quality analysis-Letters of credit

2022	PD ranges	12-month ECL (Stage 1)	Lifetime ECL Not Credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	Total 31 December
Risk classification		**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Letters of credit					
Grade 1-6: Strong	0-0.59	8,852,042	-	-	8,852,042
Grade 7-9: Satisfactory	0.06-11.34	13,477,096	-	-	13,477,096
Total letters of credit		**22,329,138**	**-**	**-**	**22,329,138**
Loss allowance		(8,310)	-		(8,310)

2021					
Risk classification		**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Letters of credit					
Grade 1-6: Strong	0-0.59	236,449	-	-	236,449
Grade 7-9: Satisfactory	0.06-11.34	18,299,594	-	-	18,299,594
Grade 10: Higher risk	11.35-99.9	-	-	-	-
Grade 11-12: Credit impaired	100	-	-	154,690	154,690
Total letters of credit		**18,536,043**	**-**	**154,690**	**18,690,733**
Loss allowance		(98,471)	-	(76,665)	(175,136)

The following table sets out the credit quality of trading debt securities. The analysis has been based on Fitch ratings

Government bonds and treasury bills	2022	2021
Rated AAA	-	-
Rated AA- to AA+	-	-
Rated A- to A+	-	-
Rated B+	157,471,531	164,996,555

v. 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 2022 or 2021.

The table below sets out the carrying amount and the value of identifiable collateral held against loans and advances to customers measured at amortised cost. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

	2022 Gross carrying amount	Collateral	2021 Gross carrying amount	Collateral
Stage 1 and 2	219,222,182	422,822,753	180,414,157	172,555,072
Stage 3	45,352,363	17,044,443	54,247,919	19,410,388

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

		Percentage of exposure that is subject to collateral requirements		
Financial asset	**Note**	**31 December 2022**	**31 December 2021**	**Principal type of collateral held**
Government securities	17(b)	-	-	None
Deposits and balances due from banking institutions	17(b)	-	-	None
Loans and advances to customers	16			
• 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.

The following table stratifies credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for retail loans is based on the collateral value at origination updated based on changes in forced sale value upon revaluation.

LTV ratio	2022	2021
Less than 50%	-	-
51% to 70%	49,530,412	40,942,980
71% to 90%	22,346,557	7,952,831
91% to 100%	21,336,557	10,261,052
More than 100%	174,979,624	175,505,213

vi. Amounts arising from ECL

Inputs, assumptions, and techniques used for estimating impairment

See accounting policy in Note 3(c)(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).

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.

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(c)(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.

The table below shows the outstanding balance as at 31 December 2022 of all loans that have been modified (both substantial and non-substantial modifications):

	2022 Ushs'000	**2021** Ushs'000
Term extensions		
Agriculture	-	-
Building, Mortgage, Construction and Real Estate	15,965,945	10,994,636
Community, Social and Other Services	242,195	911,799
Hotel and Restaurants	25,633,448	27,807,639
Manufacturing	3,646,589	1,483,234
Personal Loans and Household Loans	150,982	1,802,274
Retail Trade	11,411,947	15,363,278
Transport and communication	1,924,879	-
Business Services	150,621	-
Total	**59,126,606**	**58,362,860**

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL

	2022	**2021**
Financial assets modified during the period		
Amortised cost before modification	4,091,076	5,015,296
Net modification (loss)/gain	(76,990)	700,584

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.

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 68.2% (base case), 10.6% (upside case) and 21.2% (downside case) was applied.

There have been changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year.

The Bank's historical Probabilities of Default (PDs) for purposes of incorporating forward looking information were modelled at portfolio sector level using transition matrices that analysed the movements of loans from one classification (stage) to another over the past 5 years.

Linear correlations between the macroeconomic factors and the Bank's Sector NPL Ratios (Non- Performing Loans to Gross Loans (NPL %) were individually tested. Macro-economic variables to be used for regression were then selected based on:

- Correlation Coefficient of at least 40% (Guildford's criterion)
- No counter intuitive relationship with the NPL ratios

A backward elimination multiple regression model was then performed between the Bank NPL Ratios and all the macro-economic factors selected.

Two approaches were considered to compute the Macro-adjusted PDs using the Forecasted NPL ratios above i.e linear model approach and direct inference approach.

Probabilities of default from the linear model take precedence over Direct Inference subject to the set conditions in the analysis.

If the Direct inference approach and linear model present significant deviation from recent trends and Historical Pds, the historical PD was adjusted by an average of the macro-adjustments from the sectors where modelling was possible.

Management overlays have been applied to 3 sectors. . i.e., average of macroeconomic effect was applied to the historical PDs since both modelling approaches were not successful.

- Agriculture
- Business Services
- Personal and household loans

Results from Macroeconomic adjustments under Direct inference approach were used for the following sectors where modelling was possible

- Manufacturing
- Trade
- Transport and Communication
- Building and Construction
- Community, Social and Other services.

In determining the likelihood of each of the three macroeconomic scenarios, the following weights were applied to the base case, upside case and downside case for each respective sector as tabulated below.

Base case	Downside case	Upside case
68.20%	21.20%	10.60%

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 table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 31 December 2022:

	ECL Ushs'000	Impact Ushs'000
If 1% of stage 1 facilities were included in Stage 2	29,816,761	3,206
If 1% of stage 2 facilities were included in Stage 1	29,813,056	(499)
100% upside scenario	30,319,651	506,096
100% base scenario	30,315,906	502,351
100% downside scenario	30,506,610	693,055

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(c)(iii).

Loans and advances to customers at amortised cost

	Provisions (ECL allowance)				Exposure (Gross balance)			
2022	**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 Ushs'000**	**Lifetime ECL not credit impaired (Stage 1) Ushs'000**	**Lifetime ECL not credit impaired (Stage 2) Ushs'000**	**Lifetime ECL credit impaired (Stage 3) Ushs'000**	**Total Ushs'000**
Balance at 1 January 2022	**521,982**	**11,515**	**37,636,506**	**38,170,003**	**150,004,211**	**30,409,946**	**54,247,919**	**234,662,076**
Transfer from 12 months ECL (Stage 1)	(41,227)	1,520	39,707	-	(20,902,218)	16,867,773	4,034,445	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	8	(2,753)	2,745	-	1,203,402	(1,218,921)	15,519	-
Transfer from Lifetime ECL credit impaired (Stage 3)	34,868	-	(34,868)	-	1,628,604	-	(1,628,604)	-
Net remeasurement of loss allowance	(291,632)	(2,695)	627,119	332,792	-		-	-
New financial assets originated or purchased	174,546	87,576	238,801	500,923	131,212,792	1,092,138	4,027,444	**136,332,374**
Financial assets derecognised	(195,772)	(6,517)	(4,507,678)	(4,709,967)	(83,373,013)	(7,702,532)	(6,398,970)	**(97,474,515)**
Write off	-	-	(6,177,545)	(6,177,545)	-	-	(8,945,390)	**(8,945,390)**
Total Carrying amount as at 31 December 2022	**202,773**	**88,646**	**27,824,787**	**28,116,206**	**179,773,778**	**39,448,404**	**45,352,363**	**264,574,545**

Loans and advances to customers at amortised cost

	Provisions (ECL allowance)				Exposure (Gross balance)			
2021	**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 Ushs'000**	**Lifetime ECL not credit impaired (Stage 1) Ushs'000**	**Lifetime ECL not credit impaired (Stage 2) Ushs'000**	**Lifetime ECL credit impaired (Stage 3) Ushs'000**	**Total 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)	(11,348)	773	10,575	-	(9,350,902)	4,202,760	5,148,142	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	814	(3.921)	3,107	-	2,190,208	(9,092,754)	6,902,546	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	72,307	(12,820)	20,269,353	**20,328,840**	-	-	-	-
New financial assets originated or purchased	358,371	5,636	17,183,153	**17,547,160**	77,868,715	23,896,028	22,593,758	**124,358,501**
Financial assets derecognised	(66,146)	(68,020)	(8,141,593)	**(8,275,759)**	(89,870,020)	(32,052,199)	(25,206,404)	**(147,128,623)**
Write off	-	-	(13,379,244)	**(13,379,244)**	-	-	(29,699,205)	**(29,699,205)**
Balance at 31 December 2021	**521,982**	**11,515**	**37,636,506**	**38,170,003**	**150,004,211**	**30,409,946**	**54,247,919**	**234,662,076**

Loan commitments and financial guarantee contracts

	Provisions (ECL allowance)				Exposure (Gross balance)			
2022	**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 Ushs'000**	**Lifetime ECL not credit impaired (Stage 1) Ushs'000**	**Lifetime ECL not credit impaired (Stage 2) Ushs'000**	**Lifetime ECL credit impaired (Stage 3) Ushs'000**	**Total Ushs'000**
Balance at 1 January 2022	177,192	908	76,665	**254,765**	47,727,936	5,764,790	154,689	**53,647,415**
Transfer from 12 months ECL (Stage 1)	(1)	1	-	**-**	(540,000)	540,000	-	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	(3)	3	**-**	(5,478,440)	5,478,440	-	**-**
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	**-**	-	-	-	**-**
Net remeasurement of loss allowance	(115,468)	(393)	(4)	**(115,865)**	-	-	-	**-**
New commitments and guarantees originated or purchased	29,400	-	-	**29,400**	33,700,365	(486,052)	2	**33,214,315**
Commitments and guarantees derecognised	(41,796)	-	(76,665)	**(118,461)**	(6,226,407)	(180,000)	(154,690)	**(6,561,097)**
Balance at 31 December 2022	**49,327**	**513**	**(1)**	**49,839**	**74,661,894**	**160,298**	**5,478,441**	**80,300,633**

Loan commitments and financial guarantee contracts

	Provisions (ECL allowance)				Exposure (Gross balance)			
2021	**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 Ushs'000**	**Lifetime ECL not credit impaired (Stage 1) Ushs'000**	**Lifetime ECL not credit impaired (Stage 2) Ushs'000**	**Lifetime ECL credit impaired (Stage 3) Ushs'000**	**Total Ushs'000**
Balance at 1 January 2021	88,451	23,867	1	**112,319**	69,205,006	8,343,393	2,370	**77,550,769**
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**	-	-	-	**-**
New commitments and guarantees originated or purchased	125,952	-	76,665	**202,617**	14,304,060	180,000	154,689	**14,638,749**
Commitments and guarantees derecognised	(66,391)	(8,194)	(1)	**(74,586)**	(35,674,780)	(2,864,952)	(2,370)	**(38,542,102)**
Balance at 31 December 2021	**177,192**	**908**	**76,665**	**254,765**	**47,727,936**	**5,764,791**	**154,689**	**53,647,416**

(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 (unaudited) were as follows:

	2022	2021
At 31 December	51.60%	49.06%
Average for the period	56.63%	49.4%
Highest for the period	62.92%	54.0%
Lowest for the period	51.60%	49.2%

The liquidity ratio has been calculated as the ratio of total liquid assets held to the total liquid liabilities as at every month end during the period. The average for the period is the average liquidity for the period January to December 2022. The highest and lowest for the period are the highest and lowest liquidity ratios during the period under audit.

The table below analyses financial assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2022 and 2021. The amounts are gross and undiscounted.

(b) Liquidity risk (continued)

31 December 2022	Within 1 month Ushs'000	Due within 1-3 months Ushs'000	Due between 3-12 months Ushs'000	Due between 1-5 years Ushs'000	Due after 5 years Ushs'000	Total Ushs'000
ASSETS						
Cash and balances with central banks	134,462,307	-	-	-	-	**134,462,307**
Deposits and balances due from banking institutions	51,822,034	70,282,494	19,257,350	-	-	**141,361,878**
Loans and advances to customers	19,629,356	22,698,997	52,354,331	146,324,214	74,783,192	**315,790,090**
Derivative financial assets	729,550	-	-	-	-	**729,550**
Government securities at Amortised cost	18,409,215	19,269,938	14,789,310	123,944,907	25,223,016	**201,636,386**
Government securities at FVTPL	-	-	29,960,385	-	-	**29,960,385**
Other assets	-	-	2,779,660			**2,779,660**
At 31 December 2022	**225,052,462**	**112,251,429**	**119,141,036**	**221,066,723**	**270,269,121**	**826,720,256**
LIABILITIES						
Deposits from customers	350,467,635	135,656,630	136,437,085	2,073,166	-	**624,634,516**
Other liabilities	12,000,282	-	-	-	-	**12,000,282**
Lease liabilities	-	182,496	-	5,691,224	294,437	**6,168,157**
Guarantees	9,342,841	826,486	24,748,834	748,539	-	**35,666,700**
Loan commitments	21,809,128	338,759	156,907			**22,304,794**
At 31 December 2022	**393,619,886**	**137,004,371**	**161,342,826**	**8,512,929**	**294,437**	**700,774,449**
On balance sheet liquidity gap	**(168,567,424)**	**(24,752,942)**	**(42,201,790)**	**261,756,192**	**99,711,771**	**125,945,807**

31 December 2021	Within 1 month Ushs'000	Due within 1-3 months Ushs'000	Due between 3-12 months Ushs'000	Due between 1-5 years Ushs'000	Due after 5 years Ushs'000	Total Ushs'000
ASSETS						
Cash and balances with the Central Bank	194,259,871	-	-	-	-	**194,259,871**
Deposits and balances due from banking institutions	16,516,574	41,266,690	-	-	-	**57,783,264**
Loans and advances to customers	53,889,112	19,572,767	16,810,768	154,715,540	43,858,459	**288,846,646**
Derivative financial assets	-	489,000	-	-	-	**489,000**
Government securities at Amortised cost	640,986	6,114,099	83,832,461	83,444,977	3,060,466	**177,092,989**
Government securities at FVTPL	-	431,984	7,115,405	-	-	**7,547,389**
Other assets	-	-	1,590,601	-	-	**1,590,601**
At 31 December 2021	**265,306,543**	**67,874,540**	**109,349,235**	**238,160,517**	**46,918,925**	**727,609,760**
LIABILITIES						
Deposits due to other 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	-	-	3,134,812	-	-	**3,134,812**
Lease liabilities	-	-	4,415,303	2,891,183	-	**7,306,486**
Guarantees	-	-	11,383,294	4,791,666	-	**16,174,960**
Loan commitments	-	-	18,050,603	731,121	-	**18,781,724**
At 31 December 2021	**340,974,657**	**54,135,090**	**171,467,774**	**69,362,149**	**-**	**635,939,670**
On-balance sheet liquidity gap	**(75,668,114)**	**13,739,450**	**(62,118,539)**	**168,798,368**	**46,918,925**	**91,670,090**

Management has put in place strategic innitatives to cover the liquidity gaps and these include Liquidating securities portfolio on the secondary market, product campaigns aimed at bringing liabilities, Mobilize deposits from targeted institutions like NSSF, Insurers, Law firms, etc, Mobilize deposits from Telcos and Fintechs with Escrow deposits, Product Development or Enhancements to help tap into new territories for example Bonus savings product and Upfront Fixed Deposits to mention but a few.

(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.

i. 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 2022	Within 1 month Ushs'000	Due within 1-3 months Ushs'000	Due between 3-12 months Ushs'000	Due between 1-5 years Ushs'000	Due after 5 years Ushs'000	Non-interest bearing Ushs'000	Total Ushs'000
ASSETS							
Cash and balances with the Central Banks	-	-	-	-	-	145,631,019	**145,631,019**
Deposits and balances due from banking institutions	51,822,034	70,282,494	19,257,350	-	-	-	**141,361,878**
Loans and advances to customers	13,463,965	23,606,388	50,261,176	126,956,910	19,788,964	-	**234,077,403**
Government securities at FVTPL	-	-	29,960,385	-	-	-	**29,960,385**
Government securities at amortised cost	14,377,005	15,049,202	11,549,975	96,796,985	19,698,364	-	**157,471,531**
Derivative financial assets	729,550	-	-	-	-	-	**729,550**
Other assets	-	-	-	-	-	2,779,660	**2,779,660**
At 31 December 2022	**80,392,554**	**108,938,084**	**111,028,886**	**223,753,895**	**39,487,328**	**148,410,679**	**712,011,426**
LIABILITIES							
Deposits from banks	-	-	-	-	-	-	**-**
Deposits from customers	323,887,136	162,237,129	136,437,085	2,073,166	-	-	**624,634,516**
Other liabilities	-	-	-	-	-	12,000,282	**12,000,282**
At 31 December 2022	**323,887,136**	**162,237,129**	**136,437,085**	**2,073,166**	**-**	**12,000,282**	**636,634,798**
Interest rate gap	**(243,494,582)**	**(53,299,045)**	**(25,408,199)**	**221,680,729**	**39,487,328**	**136,410,397**	**75,376,628**

31 December 2021	Within 1 month Ushs'000	Due within 1-3 months Ushs'000	Due between 3-12 months Ushs'000	Due between 1-5 years Ushs'000	Due after 5 years Ushs'000	Non-interest bearing Ushs'000	Total 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	41,266,690	-	-	-	-	**57,783,264**
Loans and advances to customers	36,717,808	13,336,072	11,454,160	105,416,758	29,883,337	-	**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	-	-	-	-	-	1,590,601	**1,590,601**
At 31 December 2021	**53,831,585**	**60,731,218**	**96,675,804**	**183,161,980**	**32,734,756**	**209,577,746**	**636,713,089**
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	-	-	-	-	-	3,134,812	**3,134,812**
At 31 December 2021	**340,974,657**	**54,135,090**	**134,483,762**	**60,948,179**	**-**	**3,134,812**	**593,676,500**
Interest rate gap	**(287,143,072)**	**6,596,128**	**(37,807,958)**	**122,213,801**	**32,734,756**	**206,442,934**	**43,036,589**

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.

i. Exposure to interest rate risk – continued

31 December 2022 **200 basis points**	**Profit or loss Increase/ decrease in basis points** Ushs'000	**Equity net of tax Increase/ decrease in basis points** Ushs'000
Assets	-	-
Liabilities	16,516,574	41,266,690
Net position	**36,717,808**	**13,336,072**

31 December 2022 **200 basis points**	**Profit or loss** **Increase/decrease in basis points** **(Ushs'000)**	**Equity net of tax** **Increase/decrease in basis points** **(Ushs'000)**
Assets	11,360,851	14,329,065
Liabilities	(12,492,690)	(12,732,696)
Net position	**(1,131,939)**	**1,596,369**

Interest rate sensitivity has been computed as the difference between the total assets and total liabilities as at the year end adjusted to remove non-interest bearing assets or liabilities. The resultant figure was then increased/decreased by 200 basis points. The results from the analysis of the movement have been reported above.

ii. 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 2022 and 31 December 2021.

At 31 December 2022	USD **Ushs'000**	GBP **Ushs'000**	Euro **Ushs'000**	Other **Ushs'000**	Total **Ushs'000**
ASSETS					
Cash and balances with central banks	39,267,680	1,756,353	2,935,604	101,671,382	**145,631,019**
Deposits and balances due from banking institutions	128,119,017	2,083,457	3,599,707	7,559,697	**141,361,878**
Loans and advances to customers	131,915,621	-	-	132,658,924	**264,574,545**
Derivative financial assets	-	-	-	729,550	**729,550**
Government securities at FVTPL	-	-	-	29,960,385	**29,960,385**
Government securities at amortised cost	-	-	-	157,471,531	**157,471,531**
Other assets	-	-	-	2,779,660	**2,779,660**
At 31 December 2022	**299,302,318**	**3,839,810**	**6,535,311**	**432,831,129**	**742,508,568**
Deposits from banks	-	-	-	-	**-**
Deposits from customers	298,330,519	3,630,727	6,527,784	316,145,486	**624,634,516**
Other liabilities	2,163,775	7,046	4,639	9,824,822	**12,000,282**
At 31 December 2022	**300,494,294**	**3,637,773**	**6,532,523**	**325,970,308**	**636,634,798**
Net position – 2022	**(1,191,976)**	**202,037**	**2,888**	**106,860,821**	**105,873,770**

At 31 December 2021	USD Ushs'000	GBP Ushs'000	Euro Ushs'000	Other Ushs'000	Total 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	-	-	-	57,783,264	**57,783,264**
Loans and advances to customers	125,769,006	-	-	108,893,070	**234,662,076**
Derivative financial instruments	489,000	-	-	-	**489,000**
Other financial assets at amortised cost	51,669,461	3,681,794	2,740,221	106,905,079	**164,996,555**
Other assets	1,456,630	-	-	133,971	**1,590,601**
At 31 December 2021	**282,479,610**	**4,116,869**	**3,446,039**	**376,977,123**	**667,019,641**
LIABILITIES					
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	509,681	1,485	1,159	2,622,487	3,134,812
At 31 December 2021	**321,200,930**	**4,964,792**	**4,652,844**	**262,857,934**	**593,676,500**
Net position – 2021	**(38,721,320)**	**(847,923)**	**(1,206,805)**	**114,119,189**	**73,343,141**

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 2022	Profit or loss strengthening weakening of currency Ushs'000	Equity net of tax strengthening/ weakening of currency Ushs'000
USD (± 2.5% movement)	(9.358)	0.0
GBP (± 2.5% movement)	0.391	0.27
EUR (± 2.5% movement)	(2.976)	(2.08)

At 31 December 2021	Profit or loss strengthening weakening of currency Ushs'000	Equity net of tax strengthening/ weakening of currency 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

To achieve this, the exchange rates have been increased/decreased by 2.5% for USD, GBP, and EUR. The resultant exchange rates have been applied to the closing position of the financial assets and liabilities. These figures were then compared to the actual local currency position and the movement have been reported above.

(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 12.5% and 14.5% as established under the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018 and the Financial Institutions (Capital Buffers and Leverage Ratio) Regulations, 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 Minister of Finance, Planning and Economic Development of the Government of Uganda, in consultation with Bank of Uganda issued the Financial Institutions (Revision of Minimum Capital Requirements) Instrument 2022, as mandated under the Financial Institutions Act, section 26 (5) requiring persons who wish to transact financial institution business in the capacity of a Bank in Uganda:

- To have a minimum paid-up cash capital of not less than Ushs 120 billion by December 31, 2022, and increasing this to Ushs 150 billion, by June 30, 2024.
- To always have the minimum capital funds un-impaired by losses (Core Capital) not less than Ushs 120 billion as at December 31, 2022 and increasing this to not less than Ushs 150 billion, by June 30, 2024.

As at December 31, 2022, the Bank was compliant with the minimum paid up cash capital but was breaching on the minimum capital funds unimpaired by losses as indicated below;

i) Minimum paid-up capital requirement	Ushs' 000
Required	120,000,000
Available	150,000,000
Surplus	**30,000,000**

ii) Minimum Capital funds unimpaired by losses (core capital)	
Required	120,000,000
Available	68,994,374
Deficiency	(51,005,626)

In accordance with section 86(2)(b) of the Financial Institutions Act (FIA) 2004, the Bank submitted its capital restoration plan to Bank of Uganda within the statutory timelines, that focussed on the following items to ensure compliance with requirements of the instrument by June 30, 2023.

- Execution of strategic initiatives to improve bank performance and organically grow our capital reserves
- Accelerate recoveries of significant bad debtors.
- Conversion of preference shares already held into Paid-up cash capital
- Shareholder commitment to inject Capital

The above actions were approved by the Board of Directors on February 13, 2023 and submitted to the Bank of Uganda on February 14, 2023. The Bank awaits the Central Bank's no-objection to the bank's capital restoration plan.

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.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2022 and 2021. During the year ended 31 December 2022, the Bank complied with the core capital ratio and the total capital ratio requirements to which it is subject.

Tier 1 capital	**2022** Ushs'000	**2021** Ushs'000
Share capital	150,000,000	132,000,000
Accumulated losses	(22,994,335)	(28,612,073)
Less: Intangible assets	(2,642,714)	(1,773,227)
Less: Deferred income tax asset	(54,869,069)	(60,227,770)
Less: Unrealized foreign exchange gains	(499,508)	(626,881)
Total qualifying Tier 1 capital	**68,994,374**	**40,760,049**
Tier 2 capital		
General provisions	2,338,087	2,144,247
Total qualifying Tier 2 capital	**2,338,087**	**2,144,247**
Total regulatory capital	**71,332,461**	**42,904,296**
Risk-weighted assets:		
On-balance sheet	308,939,179	255,073,949
Off-balance sheet	50,444,874	27,352,392
Market risk	10,133,620	9,701,101
Total risk-weighted assets	**369,517,673**	**292,127,442**
Core capital ratio	18.67%	13.95%
Total capital ratio	19.30%	14.69%
Leverage ratio	8.0%	5.2%

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

Core capital	68,994,374	40,760,049
Total on balance-sheet assets	780,738,164	728,017,240
Total off balance sheet	81,030,183	54,136,416
Leverage ratio	**8.0%**	**5.2%**

	Nominal statement of financial position amounts		Risk weight	Nominal statement of financial position amounts	
	2022 Ushs'000	**2021** Ushs'000		**2022** Ushs'000	**2021** Ushs'000
Balance sheet assets (net of provisions)					
Cash and balances with Central Bank	145,631,019	207,498,145	-	-	-
Deposits and balances due from banking institutions	74,736,817	27,908,933	20%	14,947,363	5,581,787
Ratings as follows;					
Rated AAA to AA (-)	127,981	64,892	20%	25,596	12,978
Rated A (+) to A (-)	43,694,380	17,042,289	50%	21,847,190	8,521,145
Rated A (-) to non-rated	22,802,700	12,767,150	100%	22,802,700	12,767,150
Government securities at Amortised cost	156,956,769	164,996,555	0%	-	-
Government securities at FVTPL	29,960,385	7,547,389	0%	-	-
Loans and advances to customers	228,328,801	214,423,381	100%	228,328,801	214,423,380
Right of use	5,137,089	4,267,031	100%	5,137,089	4,267,031
Deferred tax asset	54,869,069	60,227,770	0%	-	-
Property and equipment	8,556,930	5,353,621	100%	8,556,930	5,353,621
Intangible Assets	2,642,714	1,773,227	0%	-	-
Other assets	7,293,510	4,146,857	100%	7,293,510	4,146,857
Total assets	**780,738,164**	**728,017,240**		**308,939,179**	**255,073,949**
Off-balance sheet positions					
Performance bonds	1,680,102	3,903,152	50%	840,051	1,951,576
Guarantees	33,986,598	12,271,808	100%	33,986,598	12,271,808
Letters of credit	22,329,139	18,690,732	20%	4,465,828	3,738,146
Foreign currency contracts	729,550	489,000	0%	-	-
Unutilised commitments	22,304,794	18,781,724	50%	11,152,397	9,390,862
	81,030,183	**54,136,416**		**50,444,874**	**27,352,392**

Counterparty	Nominal statement of financial position amounts		Risk weight	Risk weighted amounts	
	2022 Ushs'000	2021 Ushs'000		2022 Ushs'000	2021 Ushs'000
Government of Uganda and Bank of Uganda	-	-	0%	-	-
Rated AAA to AA (-) and banks in Uganda	197,054	28,000	20%	39,411	5,600
Rated A (+) to A (-)	-	-	50%	-	-
Rated A (-) and non-rated	-	3,674	50%	21,847,190	-
Total risk weighted CCR exposures	-	31,674	-	-	-
Interest rate risk	227,500	31,674	8.33	1,895,075	263,844
Foreign exchange risk	989,021	1,132,924	8.33	8,238,545	9,437,257
Market risk	1,216,521	1,164,598	-	10,133,620	9,701,101
Total risk-weighted assets	**862,984,868**	**783,318,254**		**369,517,673**	**292,127,442**

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

	2022 Ushs'000	2021 Ushs'000
Gross loans and advances	224,395,015	215,757,894
Less Interest Suspended	(2,166,767)	(309,290)
Less Specific Provisions	(13,899,447)	(1,025,223)
Net loans and advances	**228,328,801**	**214,423,381**

A reconciliation of the gross loans and advances to customers as per FIA to the gross loans and advances as per IFRS has been shown below.

Gross loans and advances (FIA)	-	-	-	244,395,015	215,757,894
Less: Interest suspended	-	-	-	(2,166,767)	(309,290)
Add: written back loans (HAM enterprises)	-	-	-	21,611,642	18,636,642
Add: Stage 3 income adjustment	-	-	-	734,655	576,830
Gross loans and advances (IFRS)-Note 16(a)	-	-		**264,574,545**	**27,352,392**
Less: Impairment provision				(28,116,206)	(38,170,003)
Less: Modification (loss)/ gain on restructured loans				(39,401)	736,416
Less: Staff discount				(2,341,535)	(420,354)
				234,077,403	**196,808,135**

5. USE OF ESTIMATES AND JUDGEMENT

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;

(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(c)(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 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(c)(iii) and 4(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.

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 17(c)

(b) 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.

(c) 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.

(d) Fair values of financial assets and liabilities

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument`s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(e) Deferred tax asset

A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability other than in a business combination which, at the time of the transaction, does not affect accounting profit or taxable profit.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A deferred tax asset is recognised for an unused tax loss carry forward or unused tax credit if, and only if, it is considered probable that there will be sufficient future taxable profit against which the loss or credit carry forward can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. The measurement reflects the bank's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

The bank had a history of profits before the Covid-19 pandemic and also made profits in the current year. The bank also recently got approval from URA to carry forward tax losses to be used against future profits.

6. FAIR VALUE HEIRARCHY

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.

31 December 2022	Carrying amounts					Fair value			
	Financial assets and liabilities at amortised cost Ushs'000	**Financial assets at FVOCI** Ushs'000	**Financial assets at FVTPL** Ushs'000	**Other financial liabilities at amortised cost** Ushs'000	**Total** Ushs'000	**Level 1** Ushs'000	**Level 2** Ushs'000	**Level 3** Ushs'000	**Total** Ushs'000
Financial assets									
Cash and balances with central banks	145,631,019	-	-	-	**145,631,019**	-	145,631,019	-	**145,631,019**
Loans and advances to banks	140,669,926	-	-	-	**140,669,926**	-	140,669,926	-	**140,669,926**
Loans and advances to customers	234,077,403	-	-	-	**234,077,403**	-	205,949,832	-	**205,949,832**
Financial assets at fair value through profit or loss (FVTPL)	-	-	29,960,385	-	**29,960,385**	-	29,960,385	-	**29,960,385**
Government Securities at amortised cost	156,956,769	-	-	-	**156,956,769**	-	143,010,881	-	**143,010,881**
Other assets	7,293,510	-	-	-	**7,293,510**	-		7,293,510	**7,293,510**
Financial liabilities									
Deposits from banks	-	-	-	-	-	-	-	-	-
Deposits from customers	624,634,516	-	-	-	**624,634,516**	-	-	624,634,516	**624,634,516**
Other liabilities	20,394,822	-	-	-	**20,394,822**	-	-	20,394,822	**20,394,822**

31 December 2021	Carrying amounts					Fair value			
	Financial assets and liabilities at amortised cost Ushs'000	Financial assets at FVOCI Ushs'000	Financial assets at FVTPL Ushs'000	Other financial liabilities at amortised cost Ushs'000	Total Ushs'000	Level 1 Ushs'000	Level 2 Ushs'000	Level 3 Ushs'000	Total Ushs'000
Financial assets									
Cash and balances with central banks	207,498,145	-	-	-	**207,498,145**	-	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**	-	159,235,386	-	**159,235,386**
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**	-	111,641,955	-	**111,641,955**
Other assets	-	-	-	-	**-**	-	-	-	**-**
Financial liabilities -									
Deposits from banks	16,827,470	-	-	-	**16,827,470**	-	-	16,827,470	16,827,470
Deposits from customers	573,714,218	-	-	-	**573,714,218**	-	-	573,714,218	**573,714,218**
Other liabilities	12,046,886	-	-	-	**12,046,886**	-	-	12,046,886	**12,046,886**

7. INTEREST INCOME

	2022 Ushs'000	2021 Ushs'000
Loans and advances to customers	31,257,743	27,328,410
Loans and advances to banks	5,426,731	2,220,346
Loan commitment fees	2,466,431	1,607,731
Investment securities: - - At amortised cost	21,255,005	17,835,538
	60,405,910	**48,992,025**

8. INTEREST EXPENSE

INTEREST EXPENSE	2022 Ushs'000	2021 Ushs'000
Deposits from banks	1,065,399	697,611
Deposits from customers	17,562,044	16,964,767
Lease liabilities (Note 27)	499,024	208,216
	19,126,467	**17,870,594**

Interest income and expense arise from financial instruments measured at amortised cost

9. NET FEE AND COMMISSION INCOME

	2022 Ushs'000	2021 Ushs'000
(a) Fee and commission income		
Commissions	5,793,912	7,064,517
Service fees	4,705,200	4,700,399
Total	**10,499,112**	**11,764,916**
b) Fees and commission expense		
Interbank transaction fees	(88,170)	(149,907)
Net fee and commission income	**10,410,942**	**11,615,009**

Performance obligations and 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, foreign currency transactions, credit card and servicing fees.	Revenue from account service and servicing fees is recognised over time as the services are provided.
	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 on an annual basis.	Revenue related to transactions is recognised at the point in time when the transaction takes place
	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	

10.NET TRADING INCOME

	2022 Ushs'000	2021 Ushs'000
Income from foreign exchange dealings	5,709,216	5,183,962
Unrealised foreign exchange gains	499,508	626,881
Net income on financial assets at fair value through profit or loss (FVTPL)	304,972	2,036,451
	6,513,696	**7,847,294**

11.OTHER OPERATING INCOME	2022 Ushs'000	2021 Ushs'000
(Loss)/gain on sale of property and equipment	(679,953)	7,319,008
Gain on disposal of subsidiary	-	55,308
Other income	8,161,419	1,172,832
	7,481,466	**8,547,148**

Other income comprises of recoveries on bad debts written off and recoveries of long outstanding e-banking transactions written off.

12. OPERATING EXPENSES

	2022 Ushs'000	2021 Ushs'000
(a) Staff costs		
Salaries and wages	15,702,415	14,389,311
Contribution to defined benefit and contribution plan	2,876,084	2,575,703
Other staff costs	2,636,153	1,384,137
	21,214,652	**18,349,151**
(b) Premises and equipment costs		
Utilities	486,433	606,360
Other premises and equipment costs	7,223,715	6,019,923
Net fee and commission income	**7,710,148**	**6,626,283**

Other premises and equipment costs include costs incurred in maintenance of the Bank's premises, ATMs, and other facilities.

	2022 Ushs'000	2021 Ushs'000
(c) General administrative expenses		
Deposit protection insurance contribution	1,901,525	2,443,786
Other general administrative expenses	14,854,390	16,313,897
	16,755,915	**18,757,683**

Other general administrative expenses include license fees, subscriptions, marketing costs, business development and insurance expenses.

	2022 Ushs'000	2021 Ushs'000
(d) Depreciation and Amortisation		
Depreciation of property and equipment (Note 19)	1,598,779	1,973,223
Amortisation of intangible assets (Note 20)	1,244,699	2,341,552
Depreciation of right of use asset (Note 22)	2,394,068	2,277,576
Total	**5,237,546**	**6,592,351**

The average number of employees employed by the bank is as follows:

	2022	2021
Management	12	13
Others	**269**	**301**
	281	**314**

13. PROFIT BEFORE INCOME TAX

	2022 Ushs'000	2021 Ushs'000
Profit before income tax is arrived at after charging:		
Depreciation of property and equipment	1,598,779	1,973,223
Depreciation of right of use	2,394,068	2,277,576
Amortisation of intangible assets	1,244,699	2,341,552
Directors' emoluments: fees	748,653	773,364
Directors' emoluments: other	1,691,315	1,219,403
Auditor's remuneration	334,037	637,386
(Loss)/gain on sale of property and equipment	679,953)	7,319,008
Gain on disposal of subsidiary	-	55,308

14. INCOME TAX CREDIT

(a) Income tax credit

Current tax	2022 Ushs'000	2021 Ushs'000
WHT on government securities	5,868,109	3,366,084
Deferred tax (Note 21)		
Current year	(1,143,043)	(16,510,903)
Prior year adjustment	-	(466,619)
Regulatory tax audit adjustment	6,501,744	-
Income tax charge/(credit)	**11,226,810**	**(13,611,438)**

Regulatory tax adjustment relates to historical tax losses disallowed by URA following the tax audit which was completed in 2022.

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

PROFIT BEFORE INCOME TAX	Effective tax rate (%)	2022 Ushs'000	Effective tax rate (%)	2021 Ushs'000
Accounting loss before tax		**16,844,547**		**(36,449,295)**
Computed tax using the applicable corporation tax rate at 30% (2021 -30%)	30	5,053,364	30	10,934,789
Income not taxable	(37.85)	(6,376,501)	(16)	(5,956,933)
Expenses not deductible	1	180,094	1	380,819
PY under provision of deferred tax	-	-	1	(466,619)
Regulatory tax audit adjustment	39	6,501,744	-	-
Final tax on government securities	34.84	5,868,109	9	3,366,084
	67	**11,226,810**	**(35)**	**(13,611,438)**

CASH AND CASH EQUIVALENTS

a) Cash balances with the Central bank

	2022 Ushs'000	2021 Ushs'000
Cash on hand	33,943,897	42,019,717
Balances with central banks:		
Restricted balances (Cash reserve ratio)	11,168,712	13,238,274
• Unrestricted balances	100,518,410	152,240,154
	145,631,019	**207,498,145**

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 2022, the cash requirement was 10% (2021 – 8%) of eligible deposits. These funds are held with Bank of Uganda and are not available to the Bank for its day-to-day operations.

b) Deposits and balances due from banking institutions

Balances due from other banking institutions	27,518,614	606,360
Placements with other banks	113,843,264	6,019,923
Gross deposits and balances due from banking institutions	**141,361,878**	**57,783,264**
Less Expected Credit Losses (Note 17(c)(ii))	(691,952)	(499,190)
Net deposits and balances due from banking institutions	**140,669,926**	**57,284,074**

The details of dpeosits and balances due from banking institutions are highlighted below:

BANK NAME	2022 Ushs'000	2021 Ushs'000	Movement Ushs'000
Stanbic Bank (U) Ltd	19,115,942	-	19,115,942
Dtb Kenya Bank	9,324,628	-	9,324,628
Barclays Bank Of Uganda	18,619,744	10,649,180	7,970,564
Bank One Mauritius	7,198,420	-	7,198,420
Kenya Commercial Bank	5,003,288	-	5,003,288
Cairo International Bank	3,002,959	-	3,002,959
I&M Bank Tanzania	10,414,862	-	10,414,862
Ncba Bank Uganda Limited	9,298,925	-	9,298,925
Indusind Bank Mumbai	127,981	64,891	63,089
First Rand Bank Ltd	90,028	40,155	49,872
I&M Bank Kenya Ltd	14,065,392	12,726,994	1,338,398
Standard Chartered	30,019,383	24,074,906	5,944,477
Citibank	15,809,876	10,716,135	5,093,741
ECL Charge	(691,951)	(499,190)	(192,761)
Derivative	(729,550)	(489,000)	240,550)
Total	**140,669,925**	**57,286,093**	**83,385,853**

15. CASH AND CASH EQUIVALENTS (continued)

c) Cash and cash equivalents as per the cashflow statement

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.

	2022 Ushs'000	2021 Ushs'000
Cash and balances with central bank	145,631,019	207,498,145
Restricted balances (Cash reserve ratio)	(11,168,712)	(13,238,274)
Deposits and balances due from banking institutions (16b)	140,669,926	57,284,074
	275,132,233	**251,543,945**

16. LOANS AND ADVANCES TO CUSTOMERS

(a) Classification

	2022 Ushs'000	2021 Ushs'000
Overdrafts	48,384,915	49,578,707
Loans	216,189,630	185,083,369
Gross loans and advances	264,574,545	234,662,076
Less: Expected credit losses on loans and advances (note 17(c)(ii))	(28,116,206)	(38,170,003)
Modification (loss)/ gain on restructured loans	(39,401)	736,416
Discount on staff loans	(2,341,535)	(420,354)
Net loans and advances	**234,077,403**	**196,808,135**

(b) Non-performing loans and advances

Non-performing loans and advances net of impairment losses and estimated value of securities are disclosed in Note 4(a)(v).

Interest on impaired loans and advances which has not yet been received in cash	**486,087**	**576,829**

16. LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) Loans and advances concentration by sector

	2022 Ushs'000	%	2021 Ushs'000	%
Manufacturing	16,540,459	6.1	28,485,138	12.1
Trade	69,858,338	28.2	51,316,947	21.9
Building, Mortgage, construction, and Real estate	49,260,326	18.2	50,123,773	21.4
Agriculture	1,737,802	0.6	31,344,000	13.4
Hotels and Restaurants	27,638,412	10.2	25,547,311	10.9
Transport and communication	10,950,597	4.0	6,681,722	2.8
Business services	19,612,769	7.2	14,556,789	6.2
Educational Services	242,236	0.1	21,368	0.0
Mining and quarrying	0	-	354,336.	0.2
Food, Beverages, and Tobacco	1,800,733	0.7	2,091,247	0.9
Community, Social and Other Services	268,522	0.1	982,697	0.4
Chemical, Pharmaceuticals, Plastic, and metal Products	20,582,173	7.6	2,218,093	0.9
Personal Loans and Household Loans	40,552,212	14.9	20,618,263	8.8
Textiles, Apparel and Leather	5,529,966	2.0	320,392	0.1
	264,574,545		**234,662,076**	

17. FINANCIAL ASSETS

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

i. Derivative assets

	2022 Ushs'000	2021 Ushs'000
i. Derivative assets	729,550	489,000
	729,550	**489,000**

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.

31 December 2022	Notional amount Ushs'000	Derivative asset Ushs'000
Derivative assets	729,550	729,550
Total	**729,550**	**729,550**

31 December 2021		
Derivative assets	12,407,500	489,000
	12,407,500	**489,000**

ii. Government Securities at FVTPL

	2022 Ushs'000	**2021** Ushs'000
Government securities-FVTPL	32,859,652	7,837,000
Government securities unearned interest	(2,899,267)	(289,611)
	29,960,385	**7,547,389**

(b) Financial assets at amortised cost

i. Government securities at amortised cost

At amortised cost	-	-
Treasury bills maturing within 91 days of the date of acquisition	-	2,441,172
Treasury bills maturing after 91 days of the date of acquisition	28,111,841	37,888,958
Treasury bonds	129,359,690	124,666,425
Gross financial assets at amortised cost	**157,471,531**	**164,996,555**
Less Expected Credit Losses (Note 17(c)(i))	(514,762)	-
Net financial assets at amortised cost	**156,956,769**	**164,996,555**

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 securities as at 31st December 2022 was 11.27% (2021 was 12.1%)

FINANCIAL ASSETS (continued)

(c) Expected credit losses on financial assets

i. Expected credit losses on financial assets P&L

	2022 Ushs'000	**2021** Ushs'000
Deposits and balances due from other banking institutions	192,762	387,416
Government Securities	514,762	(4)
Off balance sheet items	(204,926)	142,445
Loans and advances	(3,876,252)	124,666,425
Write-offs	520,576	29,526,243
Modification gains	775,817	15,935,025
	(2,077,261)	**45,254,709**

ii. Movement in ECL during the period

	As at 1 January 2022 Ushs'000	**Movement during the year** Ushs'000	**Direct Write offs** Ushs'000	**Modification gains** Ushs'000	**P&L Effect** Ushs'000	**Impairment write-offs** Ushs'000	**As at 31 December 2022** Ushs'000
Government securities (note 17b)	-	514,762	-	-	514,762	-	**514,762**
Off balance sheet contingencies and commitments (note 26)	254,765	(204,926)	-	-	(204,926)	-	**49,839**
Loans and advances (note 16a)	38,170,003	(3,876,252)	-	-	(3,876,252)	(6,177,545)	**28,116,206**
Deposits and balances due from other banking institutions (note 15b)	499,190	192,762	-	-	192,762	-	**691,952**
Direct write-offs	-	-	520,576	-	520,576	-	**-**
Modification gains	(736,416)	-	-	775,817	775,817	-	**39,401**
	38,187,542	**(3,373,654)**	**520,576**	**775,817**	**(2,077,261)**	**(6,177,545)**	**29,412,160**

17. FINANCIAL ASSETS (continued)
(c) Expected Credit losses on financial assets (continued)
ii. Movement in ECL during the period (continued)

2021	As at 1 January 2021 Ushs'000	Movement during the year Ushs'000	Direct Write offs Ushs'000	Modification gains Ushs'000	P&L Effect Ushs'000	Impairment write-offs Ushs'000	As at 31 December 2021 Ushs'000
Balances due from other banking institutions (15b)	102,035	(102,035)	-	-	**(102,035)**	-	**-**
Government securities (17b)	4	(4)	-	-	**(4)**	-	**-**
Off balance sheet items (note 26)	112,320	142,445	-	-	**142,445**	-	**254,765**
Loans and advances (16a)	8,643,760	29,526,243	-	-	**29,526,243**	-	**38,170,003**
Placements with Banking institutions (note 15b)	9,739	489,451	-	-	**489,451**	-	**499,190**
Direct write-offs	-	-	15,935,025		15,935,025		**-**
Modification gains	-	-	-	(736,416)	(736,416)	-	**(736,416)**
	8,867,858	**30,056,100**	**15,935,025**	**(736,416)**	**45,254,709**	**-**	**38,187,542**

18. INVESTMENT IN SUBSIDIARY

	2022 Ushs'000	2021 Ushs'000
Equity securities – at fair value:		
Equity Stockbrokers Limited	-	465,670
Fair value loss	-	(33,555)
Fair value at disposal		432,115
Disposal		(432,115)
Total investment in subsidiary	-	-
Fair Value Reserve		
At 1 January	-	269,969
Fair value (loss)/gain	-	(33,555)
Deferred tax on fair value	-	10,067
		246,481
Disposal of Subsidiary	-	**(246,481)**
Fair value net of tax	**-**	**-**

On 30th April 2021, the bank disposed of its subsidiary Equity Stockbrokers and thus the fair value reserve was taken to zero.
Note 3(d) for fair value assumptions).

19. PROPERTY AND EQUIPMENT 2022

	Leasehold improvements Ushs'000	Furniture, fittings, fixtures, and office equipment Ushs'000	Computers Ushs'000	Motor vehicles Ushs'000	Capital work in progress Ushs'000	Total Ushs'000
Cost/Valuation						
At 1 January	**2,982,211**	**7,353,442**	**10,959,454**	**1,099,578**	**1,684,355**	**24,079,040**
Additions	-	45,042	182,894	-	6,651,339	6,879,275
Transfer of WIP	1,747,457	182,149	-	-	(3,330,214)	(1,400,608)
Disposals	(773,626)	(1,288,059)	(1,741,636)	(24,375)	(354,127)	(4,181,823)
At 31 December	**3,956,042**	**6,292,574**	**9,400,712**	**1,075,203**	**4,651,353**	**25,375,884**
Depreciation						
At 1 January	2,505,697	5,895,676	9,568,193	755,853	-	18,725,419
Charge for the year	128,141	495,261	803,172	172,205	-	1,598,779
Eliminated on disposal	(631,874)	(1,124,997)	(1,723,998)	(24,375)	-	(3,505,244)
At 31 December	**2,001,964**	**5,265,940**	**8,647,367**	**903,683**	-	**16,818,954**
Net book value at 31 December	**1,954,078**	**1,026,634**	**753,345**	**171,520**	**4,651,353**	**8,556,930**

19. PROPERTY AND EQUIPMENT (continued)

PROPERTY AND EQUIPMENT 2021	Land Ushs'000	Buildings Ushs'000	Leasehold improvements Ushs'000	Furniture, fittings, fixtures, and office equipment Ushs'000	Computers Ushs'000	Motor vehicles Ushs'000	Capital work in progress Ushs'000	Total 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**	**1,391,261**	**343,725**	**1,684,355**	**5,353,621**

20. INTANGIBLE ASSETS-SOFTWARE

2022 Costs	Computer Software Ushs'000	Total Ushs'000
At 1 January	22,714,673	22,714,673
Additions	1,141,491	1,141,491
Transfer from WIP	1,400,608	1,400,608
Disposal	(1,222,985)	(1,222,985)
At 31 December	**24,033,787**	**24,033,787**
Amortisation		
At 1 January	20,941,446	20,941,446
Amortisation for the year	1,244,699	1,244,699
Disposal	(795,072)	(795,072)
At 31 December	**21,391,073**	**21,391,073**
Carrying amount at 31 December	**2,642,714**	**2,642,714**
2021: **Costs**		
At 1 January	21,643,610	21,643,610
Additions	505,148	505,148
Transfers 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
Disposal	-	-
At 31 December	**20,941,446**	**20,941,446**
Carrying amount at 31 December	**1,773,227**	**1,773,227**

21.DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2022 and 31 December 2021 are attributable to the following:

2022	Balance at 1 January Ushs'000	Charge to OCI Ushs'000	Prior year under provision Ushs'000	Charge to Profit or Loss Ushs'000	Balance at 31 December Ushs'000
Accelerated capital allowances	(1,087,150)	-	(300)	239,838	(847,612)
Short term timing differences*	(12,945,377)	-	-	6,757,379	(6,187,998)
Tax losses	(46,195,243)	-	6,502,044	(8,140,260)	(47,833,459)
	(60,227,770)	**-**	**6,501,744**	**(1,143,043)**	**(54,869,069)**

*Short timing differences includes movements on provisions on loans and advances to customers, legal provisions, leave provision, staff incentive provision, provision for fraud and provision for deposit insurance premium.

22.RIGHT OF USE ASSETS

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)**

	2022 Ushs'000	2021 Ushs'000
Costs		
Balance at 1 January	8,797,602	9,552,030
Additions	3,626,482	1,679,282
Disposal	(2,077,519)	(2,433,710)
Balance at 31 December	**10,346,565**	**8,797,602**
Accumulated depreciation		
At 1 January	4,530,571	4,159,668
Charge for the year	2,394,068	2,277,576
Disposal	(1,715,163)	(1,906,673)
At 31 December	**5,209,476**	**4,530,571**
	5,137,089	**4,267,031**

23. OTHER ASSETS

	2022 Ushs'000	2021 Ushs'000
Prepayments	4,513,850	2,556,256
Other receivables	2,779,660	1,590,601
	7,293,510	**4,146,857**

24. DEPOSITS DUE TO OTHER BANKS

	2022 Ushs'000	2021 Ushs'000
Deposits due to other banks	-	16,827,470
	-	**16,827,470**

The weighted average effective interest rate on deposits due to other banks is 3.07%, (2021-2%).

25. DEPOSITS FROM CUSTOMERS

	2022 Ushs'000	2021 Ushs'000
Demand deposits	350,467,635	309,175,368
Saving deposits	115,063,476	108,957,245
Time deposits	159,103,405	155,581,605
	624,634,516	**573,714,218**

The weighted average effective interest rate on deposits from customers is 3.73%, (2021-2%).

26.OTHER LIABILITIES

	2022 Ushs'000	2021 Ushs'000
Provisions and accruals	8,344,701	8,657,309
Other accounts payables	12,000,282	3,134,812
ECL on off balance sheet items*	49,839	254,765
	20,394,822	**12,046,886**

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

27. 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

	2022 Ushs'000	2021 Ushs'000
Balance at 1 January	4,415,303	5,810,614
Additions	3,626,482	1,213,156
Disposal	(376,041)	(345,878)
Interest expense	499,024	208,216
Foreign exchange loss	(310,561)	-
Lease payments	(2,864,846)	(2,470,805)
Balance at 31 December	**4,989,361**	**4,415,303**

(b) Amount recognized in profit or loss

Interest on lease liabilities (Note 27(a))	499,024	208,216
Interest on lease liabilities (Note 27(a))	2,394,068	2,277,576
	2,893,092	**2,485,792**

(c) Amount recognized in statement of cash flows
The total cash outflow for leases in the year was:

Payment of principal portion of the lease liability	2,365,822	2,262,589
Interest paid on lease liabilities	499,024	208,216
Total	**2,864,846**	**2,470,805**

(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.

28. SHARE CAPITAL AND RESERVES

(a) Share capital

	2022 Ushs'000	2021 Ushs'000
Authorised		
1 January and 31 December	**150,000,000**	**150,000,000**
Issued and fully paid		
1 January and 31 December	**150,000,000**	**132,000,000**

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

The nominal share capital is 150,000,000 shares each valued at Ushs 1000.

	Number of shares Ushs'000	Ordinary share capital Ushs'000
At the start of the year	132,000	132,000,000
Issue of Ordinary shares	18,000	18,000,000
At end of year	**150,000**	**150,000,000**

The banks registered authorised share capital was increased in September 2022 from Ushs 132 billion to Ushs 150 billion as at 31st December 2022.The increase was due to provision of more funds by the shareholders.

The major shareholders at 31 December 2022 were as follows:

	%	Number of shares Ushs'000	Share Capital Ushs'000
I&M Group Plc	90	135,000	135,000,000
Ketan Morjaria	5.5	8,250	8,250,000
Alemayehu Fisseha	4.5	6,750	6,750,000
	100	**150,000**	**150,000,000**

The movement in the shareholding during the year was as follows;

	Number of shares '000' 1/01/2022	Transfer of shares to I&M Group '000'	Additional shares acquired during the year Ushs'000	Number of shares '000' 31/12/2022
I&M Group Plc	118,800	-	16,200	135,000
Ketan Morjaria	7,260	-	990	8,250
Alemayehu Fisseha	5,940	-	810	6,750
	132,000	**-**	**18,000**	**150,000**

(b) Preference shares

Following the Directors' notification to the shareholders of a requirement to inject additional capital into the Bank, the Shareholders agreed to provide USD 2,500,000 (United States dollars two million, five hundred thousand only) by issuance of non-cumulative Preferential redeemable shares at par value of Ushs. 1,000 each and which sum was converted at a fixed rate of Ushs 3,800 per dollar, on the date when the said sums were paid by the respective shareholders.

SHARE CAPITAL AND RESERVES	2022 Ushs'000	2021 Ushs'000
Preference shares	9,500,000	-
Total	**9,500,000**	**-**

The non-cumulative preference redeemable shares were issued subject to the terms below:

- Be issued for cash at par value
- Redeemable no later than five years from the date of issuance

(c) Statutory credit risk reserve

Provisions as per Bank of Uganda guidelines		
FIA Specific provisions	13,899,447	1,025,223
FIA General provisions	2,338,087	2,144,247
	16,237,534	3,169,470
Provisions as per IFRS guidelines (Note 17)		
Stage 1	202,773	521,982
Stage 2	88,646	11,515
Stage 3	27,824,787	37,636,506
Total	**28,116,206**	**38,170,003**
	-	**-**

IFRS provisions were higher than BOU provisions therefore there is no credit risk reserve.

As at 31 December 2022, the regulatory reserve was Ushs Nil (2021-Nil). 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.

29. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS

(a) Legal proceedings

There were a number of legal proceedings outstanding against the Bank at 31 December 2022. Provisions of up to Ush 1.1 billion have been
made as professional advice indicates. This has been recognised under other liabilities (note 26).

The table below shows the movement in the provision during the period.

OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS	Ushs '000
Opening balance as at 1st January 2022	**2,489,669**
Payments	(243,072)
Reduction in provisions	(1,048,049)
Closing balance as at 31st December 2022	**1,198,548**

(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:

	2022 Ushs'000	2021 Ushs'000
Contingencies related to:		
Letters of credit	22,329,139	18,690,732
Guarantees	33,986,598	12,271,808
Performance bonds	1,680,102	3,903,152
Other credit commitments	22,304,794	18,781,724
	80,300,633	**53,647,416**
Commitments related to:		
Outstanding spot/forward contracts	729,550	489,000
	81,030,183	**54,136,416**

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.

29. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS

(b) Contractual off-balance sheet financial liabilities-continued

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.

30. 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.

Effective September 2022, I&M Group PLC acquired additional shares and is still the majority shareholder with a total ownership of 135,000,000 shares directly in I&M Bank Uganda Limited.

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

- **Prime General supply:** Under common shareholding with I&M Bank (Uganda) Limited (Mr. Alemayehu Fisseha who directly owns 4.5% of shares in the bank).
- **Stat pack (U) Ltd:** Mr. Alemayehu Fisseha, Shareholder of I&M Bank (Uganda) Limited is also shareholder/director in Stat Pack (U) Limited.
- **GA Insurance:** GA insurance is an arm of I &M Group that has a 90% shareholding in I&M Bank Uganda Limited.
- **Afri Properties Ltd:** Under common shareholding with I&M Bank (Uganda) Limited (Mr. Alemayehu Fisseha 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 (Uganda) Limited is also shareholder in Mark Development Company Ltd.

Transactions with related parties

	2022 Ushs'000	2021 Ushs'000
(a) Transactions with related companies		
i) Overdrafts/Commitments to related companies		
Prime General supply	2,743,600	553,407
Stat pack (U) Ltd	-	2,900
Afri Properties	743,600	-
	3,487,200	**556,307**

As at 31 December 2022, Prime General and Afri properties had unutiluzed credit limits of Ushs 2.7 billion and USD 200,000 respectively and thus not classified into performance stages. The interest rates for these lines of credit were as follows:

- Prime General supply Ugx 2,000,000,000 at 20%, USD 200,000 at 10%
- Afri properties USD 200,000 at 10%

	2022 Ushs'000	2021 Ushs'000
ii) Interest Income from loans to related companies		
Prime General supply	43,405	113,117
Stat pack (U) Ltd	-	846
	43,405	**113,963**

Single Borrower Limit.

There were no borrowers or related parties with an aggregate amount of advances or credit facilities exceeding twenty five per cent of core capital

	2022 Ushs'000	2021 Ushs'000
iii) Deposits from related companies		
Stat pack (U) Ltd	21,331,988	4,838,911
GA Insurance	6,923,983	2,302,041
Afri Properties Ltd	912,964	-
Mark Development Co Ltd	602,214	-
Morka Group Ltd	188,349	-
Equity Stockbrokers (U) Ltd	346,616	-
	30,306,114	**7,140,952**

The interest rates on the deposits highlighted above are:

- Stat pack (U) Ltd average rate 3.2% for Usd time deposits
- GA Insurance average rate 9.2% on Ushs time deposits
- Equity Stockbrokers (U) Ltd average rate 12% on Ushs time deposits
- Other deposits are non-interest bearing deposits

	2022 Ushs'000	2021 Ushs'000
iv) Interest expense on deposits from related companies		
Mark Development Co Ltd	-	-
Stat pack (U) Ltd	168,955	173
GA Insurance	131,848	192
	300,803	**365**
(b) Management fees received	**8,006**	**21,839**
(c) Management compensation	**2,439,967**	**1,992,766**

Transactions with top management-Staff loans

2022	NAMES	Amount Ushs'000	Interest rate	Status
	Charles Kiirya	167,069	10%	Performing
	Denis Damba	335,232	8%	Performing
	Oscar Karamagi	41,477	10%	Performing
	Joseph Fetaa	134,491	10%	Performing
	Edward Gibson Nangono	297,707	8%	Performing
	Total	**975,976**		

2021	NAMES	Amount Ushs'000	Interest rate	Status
	Charles Kiirya	205,957	10%	Performing
	Oscar Karamagi	59,267	10%	Performing
	Joseph Fetaa	145,676	10%	Performing
	Total	**410,900**		

31.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.

32. RESTATEMENT OF COMPARATIVE INFORMATION

A restatement of the following comparative notes from prior periods has been done as per the details below:

The 2021 balances have been restated as follows:

	As previous stated Ushs'000	Adjustment Ushs'000	As restated Ushs'000
Restricted cash balances	45,820,000	(32,581,726)	13,238,274
Cash and cash equivalents at the end of year as per the cashflow	161,678,145	89,865,800	251,543,945
Cash and cash equivalents at the start of year as per the cashflow	151,879,898	90,797,648	242,677,546

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