I&M BANK UGANDA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

# INNOVATING FOR A BETTER FUTURE


21,657.00
13,164.00
31,021.00
13,106.00

# 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 |
| **TCFD** | Task Force on Climate-Related Financial Disclosures |
| **SASB** | Sustainability Accounting Standards Board |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

| | | | |
|---|---|---|---|
| Mr. Suleiman Kiggundu | Chairman | Ugandan | |
| Mr. Francis Kamulegeya | Chairman | Ugandan | |
| Mr. Kihara Maina | Non-Executive Director | Kenyan | |
| Ms. Micheline Ntiru | Non-Executive Director | Ugandan | |
| Mr. Ketan Morjaria | Non-Executive Director | Ugandan | |
| Mr. Francis M. Byaruhanga | Non-Executive Director | Ugandan | |
| Mr. Joram Kahenano | Non-Executive Director | Ugandan | Ceased on 05 October 2024 |
| Ms. Sandra Martyres | Non-Executive Director | Indian | Appointed on 28 August 2024 |
| Mr. L.A. sivaramakrishnan | Non-Executive Director | Indian | Appointed on 28 August 2024 |
| Mr. Robin Bairstow | Chief Executive Officer | South African | |
| Mr. Sam Ntulume | Executive Director | Ugandan | |

## COMPANY SECRETARY
Ms. Natalie E Kironde

## 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 31A/35A Nile Avenue
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 2024

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 2024.

## 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 41, are as follows:

| | 2024 | 2023 |
|---|---|---|
| | Ushs'000 | Ushs'000 |
| Profit before income tax | 19,965,906 | 11,511,700 |
| Income tax credit/ (charge) | 307,701 | (4,547) |
| **Profit for the year after tax** | **20,273,607** | **11,507,153** |

Net profit closed at Ushs 20.3 billion, which is a 76.2% increase from last year.

## 3. Dividend

The directors do not recommend payment of any dividend for the year 2024 (2023: Nil).

## 4. 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.

Net profit closed at **Ushs 20.3 billion**

## 5. 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.

## 6. Auditor

The auditor, KPMG, having completed the four (4) year cycle as auditor is not eligible for re-appointment in accordance with section 4(2) of the Financial Institutions (External Auditors) Regulations, 2010.

**Approval of financial statements**

The financial statements were approved and authorised for issue by the Board of Directors on 22nd April 2025.

**BY ORDER OF THE BOARD**

**Natalie E Kironde**
**Secretary**

# STATEMENT OF THE BOARD CHAIRMAN

**Francis Kamulegeya**
Board Chairman



Uganda's economy grew by an impressive **5.2%**

## Dear Shareholders,

It has been an exciting year and a half since I joined the Board of Directors of I&M Bank (Uganda) Limited. During this time, I have had the pleasure of engaging and connecting with our amazing staff, valued clients, industry colleagues, and regulators. I am truly inspired by the hard work, dedication, agility and market focus our team continues to demonstrate as we strive to achieve our aspiration of becoming Uganda's Leading Financial Partner for growth whilst staying true to our purpose which is - Empowering Your Prosperity.

I am delighted to present the annual report for I&M Bank (Uganda) Limited for the financial year that ended on December 31, 2024. This past year has been significant for both our bank and the nation. Thanks to our strong customer-focused approach, we achieved remarkable results, showing impressive growth in all key areas we have been tracking since

## Operating Environment

I want to take a moment to recognize the key factors in our macro-economic environment that contributed to our success. In 2024, Uganda's economy grew by an impressive 5.2%. This growth was fueled by strong performances in agriculture, services, and industry. The services sector, where we also operate, makes up half of Uganda's GDP and saw remarkable growth. Tourism surged by 10%, driven by an increase in international visitors and improvements in infrastructure. The agricultural sector also thrived, achieving a growth rate of 6.5% due to favorable weather and better market access for smallholder farmers. Inflation remained well-controlled, staying below the central bank's target of 5%, thanks to the government's prudent monetary policies

Looking ahead, the economic outlook is very promising. According to the Bank of Uganda (BOU) monetary policy statement of February 2025, the Central Bank Rate (CBR) remains at 9.75%, reflecting stable domestic inflation and a resilient economy. Inflation trends are aligning with projections and are supported by effective monetary policy measures and a stable foreign exchange market, primarily due to favorable food and energy prices and low global inflation. The BOU forecasts that annual core inflation will range between 4.0% and 5.0% in 2025, with stabilization expected in the medium term. Economic activity remains strong, and business confidence continues to hold firm, despite global economic challenges and slow private sector credit growth.

These positive developments showcase Uganda's resilience and its smart strategies for overcoming challenges while seizing growth opportunities. Given this very positive economic forecast for Uganda, we are confident that the Bank can achieve even higher growth rates in 2025, creating value for our various stakeholders, including investors and customers, while providing rewarding and fulfilling careers for our people.

## Strategy

Our iMara 3.0 business strategy is built on three strategic pillars: establishing leadership in our core segment of Corporate Banking, building relevance in emerging segments such as Retail and SME, and becoming a market leader in ecosystems.

I am very happy to share that in the first phase of our iMara 3.0 business strategy cycle, covering the period 2024 to 2026, we have made remarkable strides in execution of our strategy. Digitization, a key enabler of our strategy, has positioned us at the forefront of innovation. We successfully launched a brand-new core banking system on budget and with minimal disruption to our customers and the market.

Additionally, we introduced an advanced Digital Engagement Hub that features an upgraded internet banking platform and a new mobile banking application, enhancing our customers' digital experience. We rolled out new cards to our entire customer base in partnership with MasterCard, transitioned to two new data centers well ahead of schedule, and upgraded or replaced all our ATMs with state-of-the-art technology. It is also during this period that we celebrated our 50th year anniversary milestone by hosting customers and key stakeholders a very vibrant and colorful I&M at 50 Golden Jubilee celebrations.

## Financial performance

In 2024, the Bank achieved outstanding growth across all our key performance indicators (KPIs). Our revenues grew by an impressive 24%, while profitability grew by 74% compared to the previous year, with both metrics exceeding the average growth rates in the industry. Notably, our balance sheet grew by 16% and surpassing the UGX 1 trillion milestone for the very first time in the Bank's history, closing at an impressive UGX 1.1 trillion in December 2024.

Driven by our customer-focused and technologically advanced initiatives, we are excited to report a notable 10-point improvement in our net promoter score (NPS), rising from 53+ in 2023 to 63+ in 2024. Our vision is anchored in the exceptional capabilities of our people, and we take great pride in their high engagement, integrity, agility, and unwavering commitment to delivering a superior customer experience. As we move forward, our trajectory reflects not only strong financial performance but also a bright future ahead.

## Capitalization

As we work towards a more diverse banking model, we know how important it is to keep a strong capital and funding base. This helps us reduce risks, improve our stability, and provide steady returns for our shareholders. These advantages will, ultimately benefit our customers as well as we continue to grow profitably.

The Bank enjoys good liquidity and strong capital adequacy ratios ("CARs"), with our core capital ratio increasing to 22.41% and total capital ratio increasing to 23.12%. Both are well above the regulatory minimum requirements of 12% and 14.5% respectively. The Bank's minimum capital funds unimpaired by losses were impacted by an investment worth Ushs 15 billion in a new robust and versatile core banking system, aimed at enhancing our banking experience with more stability and new functionalities. The Shareholders have reaffirmed their commitment to ensure the Bank's compliance with the minimum paid up capital requirement of Ushs 150 billion.

## Governance

The Bank operates on a foundation of strong governance and effective risk management principles that align with global best practices. We are also committed to our role as a responsible corporate citizen. It is for this reason that during the year 2024, we reinforced our Environmental, Social, and Governance (ESG) policies and operations to align with international standards.

I would like to warmly welcome our newly appointed Non-Executive Directors, Ms. Sandra Martyres and Mr. L.A. Sivaramakrishnan, to the Board. They bring a wealth of knowledge and experience that will greatly benefit our team.

At the same time, we take a moment to honor and remember the Late Canon Joram Kahenano, who made diligent and exceptional contributions to the Board for over 11 years. His leadership helped guide us through many transitions, and his impact on the Bank's growth will always be cherished.

## Appreciation

I wish to extend my gratitude to all the Board members for providing the necessary strategic oversight and governance over the Bank's operations during the year. To Management and Staff, your unwavering dedication and service during what was the busiest year to date where significant changes were made to the Bank's operations, is admirable and highly commendable.

To all our customers, we appreciate your business and support and we commit to always aim to provide you with a superior customer services and an outstanding customer experience while at the same time living our vision and promise to you which is - being your first choice for your banking business.

Let me also take this opportunity to appreciate all our stakeholders including the various regulatory bodies and other business partners for the cordial and mutually beneficial working relationship we have had with you this year.

Robin Charles Bairstow
Chief Executive Officer

# STATEMENT OF THE CHIEF EXECUTIVE OFFICER

## Introduction

As we recount the year 2024, I would like to reflect on the triumphs we have celebrated and the challenges we've overcome. It's been a pivotal period for I&M Bank Uganda, and I am proud of the progress we have made.

We have made significant strides in our digital transformation journey. I am proud to announce that our efforts were recognised by the Global Banking and Finance Review Awards where we were awarded the Most Innovative Digital Bank in Uganda and the Best Private Bank in Uganda 2024.

## Financial performance and operations

In 2024, the Bank achieved outstanding growth across all our key performance indicators (KPIs). Our revenues grew by an impressive 24%, while profitability grew by 76% compared to the previous year, with both metrics exceeding the average growth rates in the industry. Notably, our balance sheet grew by 16%, surpassing the UGX 1 trillion milestone for the very first time since acquisition.

I&M Bank reported a profit before tax of **UGX 20.0 billion in 2024**

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

### Financial & Capital Adequacy Highlights

| | | | | | |
|---|---|---|---|---|---|
| Net Operating Income **(before Expected Credit Losses)** | UGX 88.4 bn | 23.5% ▲ | Total Assets | UGX 1.1 tn | 16.3% ▲ |
| Operating Expenses | UGX 69.8bn | 24.6% ▼ | Net Loans & Advances | UGX 406.9 bn | 35.2% ▲ |
| Expected Credit Losses **(Financial Assets)** | UGX 1.4 bn | 134.7% ▲ | Customer deposits | UGX 757.4 bn | 10.2% ▲ |
| Profit Before Tax | UGX 20.0 bn | 73.4% ▲ | Shareholders' Equity | UGX 218.8 bn | 10.2% ▲ |
| Profit After Tax | UGX 20.3 bn | 76.7% ▲ | Core Capital | UGX 134 bn | 0.6% ▼ |
| Leverage Ratio | 11.24% | 13.5% ▼ | Total Capital | UGX 138.3 bn | 0.4% ▲ |

Our customer and employee focus earned us market leading scores: Net Promoter Score 63+ and staff engagement 83%. We shall stay bold and brave as we navigate through 2025.

## Capitalization

The Bank's minimum capital funds unimpaired by losses were impacted by an investment worth Ushs 15 billion in a new robust and versatile core banking system, aimed at enhancing our banking experience with more stability and new functionalities.

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 offered by sound capital position. The Shareholders have reaffirmed their commitment to ensure the Bank's compliance with the minimum paid up capital requirement of Ushs 150 billion.

## Outlook

As we reflect on the opportunities that 2025 presents, I am confident that we are poised for continued growth. The future of I&M Bank Uganda is exciting, and we're just getting started. I am more optimistic than ever about our organisation, the industry and the task ahead of us.

We continue to make strides in our customer value proposition and enhancing our customer experience. We recently launched our cutting-edge self-onboarding digital account, and our customers can now enjoy a seamless experience, opening and managing their accounts with ease. This year we will launch additional purpose-built innovations including Brisk, which will allow our customers to make cross-border transactions seamlessly, and Mobi-Teller for paperless remote customer onboarding, removing the tedium of account opening.

# 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), Cap 57 Laws of Uganda 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 Board Audit Committee, Board Risk Committee, Board Asset & Liabilities Committee, Credit Committee, Board Strategy and Investments Committee and Board Nominations, Reward and Governance Committee. All these Board Committees are constituted by Non-Executive Directors and chaired by Independent Non-Executive directors. As of 31 December 2024, the Board of Directors consisted of 10 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.

| | |
|---|---|
| **Francis Kamulegeya** | **Board Chairman/ Independent Non- Executive Director** |
| **Tenure on the Board** | **Since November 2023** |
| **Committee Memberships** | **None** |

**Profile**

Mr. Kamulegeya over 30 years' experience of working in a fast-paced collaborative professional services industry with significant executive leadership accomplishments in management consultancy, policy advocacy, business management, community service and philanthropy.

After working with PwC for 27 years, Francis took early retirement from the firm in June 2022 to focus on his private agri-businesses enterprises and social projects which include Kazinga Coffee, Masaka School for the Deaf and Masaka Vocational Training Institute. During his 27-year career with PwC, he served the firm as a Partner for 17 years, Managing Partner of PwC Uganda for 12 years, and member of the PwC Africa Governance Board for 8 years.

Mr. Kamulegeya holds a BSc Hons (Agricultural Economics), is a Fellow of the Chartered Association of Certified Accountants (FCCA), a Certified Public Accountant (CPA), a Chartered Tax Adviser (CTA). Mr. Kamulegeya's areas of Expertise include but not limited to:
Tax Advisory and Consultancy Services; Business Policy Advisory and Advocacy; Human Resource Consultancy and Advisory; Corporate Governance Advisory; Stakeholder Engagement and Client Relationship Management; Financial Management and Business Development; Business Operations and Risk Management; Executive Coaching, Training and Mentoring.

| | |
|---|---|
| **Suleiman I. Kiggundu Jr.** | **Non-Executive Director** |
| **Tenure on the Board** | **Since July 2021** |
| **Committee Membership(s)** | **Board Nominations, Reward & Governance Committee**<br>**Board Credit Committee**<br>**Board Strategy & Investments Committee** |

**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.

**Kihara Christopher Maina** — **Non-Executive Director**
**Tenure on the Board** — **Since August 2023**
**Committee Membership(s)** — **None**

### Profile

Kihara Maina is the Regional Chief Executive Officer of I & M Group Plc from April 2023. Kihara holds an honors degree in Mathematics from Moi University and an Executive MBA from the University of Chicago - Booth school of Business. He started his banking career in June 1993 at Stanbic Bank Kenya and moved to Barclays Bank Kenya in 1997 where he served extensively in various Treasury roles over the years ultimately taking up senior leadership positions. Prior to joining I&M Bank, he was the Managing Director of Barclays Bank Tanzania from 2009 until his appointment as CEO at I&M Bank. His banking career spans over 30 years in several senior positions and geographies. He currently sits on the boards of I&M Group Plc, I&M Bank Rwanda, I&M Bank Uganda, I&M Bank Tanzania, Bank One Limited and The East African Bond Exchange (EABX) and is a Trustee of the Alliance High School Endowment Fund Trust.

Kihara has clearly demonstrated strong leadership and business skills and has consistently recorded outstanding performance levels in various capacities during his banking career bagging several accolades to his name. He indulges his passion for amateur golf for leisure.

**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 Risk Committee**

### Profile

Mr. Byaruhanga holds a master's 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.

**Ketan Morjaria** — **Non-Executive Director**

**Tenure on the Board** — **Since 1993**

**Committee Membership(s)** — **Board Nominations, Reward & Governance Committee**
**Board Assets & Liabilities Committee**
**Board Credit 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.

**Micheline Ntiru** — **Independent Non-Executive Director**

**Tenure on the Board** — **Since November 2023**

**Committee Membership(s)** — **Board Nominations, Reward & Governance Committee (Chair)**
**Board Assets & Liabilities Committee (Chair)**
**Board Audit Committee**

## Profile

Micheline Ntiru is a global finance and impact leader with over 22 years of global, professional in Africa, Europe, Latin America, the Middle East and the United States primarily. She has an MBA from University of Cambridge, UK, has worked in 40 countries across Africa and speaks 9 languages including Swahili, French, Spanish and Portuguese.

Ms. Ntiru has extensive expertise in investment strategy, development finance, climate finance, small business growth and technology innovation with the International Finance Corporation, Stanford University, Three Cairns Group, Delta 40 and Nokia. Investment strategy, fund raising, climate finance, and human capital development are her current areas of focus. She serves as a Director on the boards of ATG Samata, LEAP Africa and eHealth Africa.

**Sandra Martyres** — **Chief Executive Officer**

**Tenure on the Board** — **Since October 2024**

**Committee Membership(s)** — **Board Strategy & Investments Committee (Chair)**
**Board Risk Committee (Chair)**
**Board Assets & Liabilities Committee**

## Profile

Sandra Martyres is a career banker with over 25 years' experience in Senior Management roles. She started her career with Indian Bank and then moved over to Société Générale (SG) a leading European Bank from where she retired as Deputy Chief Executive Officer – India. She holds a Masters Degree in Economics from the University of Mumbai, a Diploma in Business Administration and is a Certified Associate of the Indian Institute of Bankers. During her tenure with SG, she was a member of several Committees of the Indian Bank's Association.

Sandra has undergone extensive training in all areas of Banking in Mumbai, London and Paris including an Investment Banking Programme at Kellogg's School of Business Chicago. Post retirement, she was appointed on the Advisory Board of SG- India. She also held various Director Positions in State Bank of India Mutual Fund, SG Wealth Management Services, ALD Automotive P. Ltd and was the Chairperson of Bank One Mauritius. She is currently an Independent Director on the Boards of Novartis India Ltd. and Franklin Templeton Trustee Services P. Ltd, and the Chairperson of the Board of HNI India Office Ltd. She chairs the Audit and NRC Board Committees of Novartis and is a member of the Corporate Social Responsibility Committee (CSR). At Franklin Templeton, she is a member of the Audit, Risk Management and CSR Committees.

**L.A. Sivaramakrishnan** — **Non-Executive Director**

**Tenure on the Board** — **Since August 2024**

**Committee Membership(s)** — **Board Strategy & Investments Committee**
**Board Credit Committee**
**Board Assets & Liabilities Committee**

## Profile

L.A. Sivaramakrishnan is an accredited banker with over 40 years wealth of banking experience. He has undergone various trainings and certifications throughout his banking career. Sivaramakrishnan is a director on various boards which enhance his governance and strategic decisions. He has a master's in science with a specialization in Horticulture and is the Director, responsible for Group Business Development in I & M Bank group.

**Robin Barstow** **Chief Executive Officer**

**Tenure on the Board** **Since October 2023**

**Committee Membership(s)** *None*

### Profile

Robin was appointed as a Chief Executive Officer in October 2023 after serving for 8 years as CEO of I&M Bank in Rwanda. Robin was responsible for the digital transformation journey in Rwanda and he is an experienced Corporate Banker and has a successful track record with over 30 years in the financial services sector building out business in both domestic and international banking organizations. Prior to joining I&M Bank, he held senior positions at Standard Chartered Bank, Citibank, BOE Bank, ABSA and Nedbank across Southern Africa, East Africa and South-East Asia. Robin is a graduate of the South African Merchant Naval Academy General Botha and holds a CIBM (SA) and a Diploma in Business Administration from the University of Leicester.

**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;

Tabulated below are the programs held during the year;

| Program | Date |
|---|---|
| Audit & Risk Conference on Corporate Governance, Cost benefit of AI in Banking and ALM | 03 and 04 July 2024 |
| Financial Intelligence Authority, AML Training | 08 August 2024 & 15 October 2024 |
| Audit & Risk Conference on IFRS9, AML & Financial Crime, Enterprises Risk Framework | 15 October 2024 |

## 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 | 14 March 2024 (Q1) | 29 May 2024 (Q2) | 28 August 2024 (Q3) | 27 November 2024 (Q4) | Total Board meetings attended in 2024 |
|---|---|---|---|---|---|
| Mr. Francis Kamulegeya | √ | √ | √ | √ | 100% |
| Mr. Suleiman Kiggundu Jr. | √ | √ | √ | √ | 100% |
| Mr. Joram Kahenano | √ | √ | √ | N/A | 75% |
| Mr. Francis M. Byaruhanga | √ | √ | √ | √ | 100% |
| Mr. Kihara Maina | √ | √ | √ | √ | 100% |
| Mr. Ketan Morjaria | √ | √ | √ | √ | 100% |
| Ms. Micheline Ntiru | √ | √ | √ | √ | 100% |
| Ms. Sandra Martyres | N/A | N/A | N/A | N/A | 25% |
| Mr. L.A. Sivaramakrishnan | N/A | N/A | N/A | N/A | 25% |
| Mr. Robin Bairstow | √ | √ | √ | √ | 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 | Non-Executive Director |
| **Members (Including Chairman)** | • 3 Independent Non-Executive Directors.<br>**Attendees**<br>• Chief Audit Executive<br>• Chief Financial Officer<br>• Head of Treasury | • 2 Independent Non-Executive Director<br>• 1 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.<br><br>The committee assists the board and management by providing advice and guidance on the adequacy of the organisation's initiatives for:<br><br>• Values and ethics<br>• Governance structure<br>• Risk management<br>• Internal control framework<br>• Oversight of the internal audit activity, external auditors, and other providers of assurance.<br>• Financial statements and public accountability reporting.<br><br>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.<br><br>The BRC shall, through the Risk Management Function, draw up a comprehensive Risk Management Process which shall, inter alia, include the following:<br><br>Clear assignment of roles and responsibilities of the various functions involved<br><br>Identification, analysis and evaluation of various loss exposures and risks<br>Identification of the measurement criteria for each of these risks / loss exposures<br><br>Determination and application of the appropriate risk management technique<br><br>System for monitoring and reviewing of various risks<br><br>Process flow for risk information<br>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<br>• 3 Non–Executive Directors | • 2 Independent Non- Executive Director<br>• 2 Non-Executive Directors | • 1 Independent Non-Executive Director<br>• 3 Non-Executive Directors | • 1 Independent Non-Executive Director<br>• 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:<br>• Review of the overall lending policy of the Bank.<br>• Deliberate and consider loans applications beyond the discretionary limits of Credit Risk Management Committee.<br>• Review lending decisions by Management Credit Committee.<br>• Direct, monitor, review and consider all issues that may materially affect the present and future quality of the institution's credit risk management.<br>• Delegate and review lending limits to the sanctioning arms of the institution.<br>• Ensure compliance with Financial Institutions Act (2004) as amended and all regulations thereto on Risk Classification of Assets and Provisioning.<br>• 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.<br>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<br>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 | CEO | CEO |
| Members | • CEO<br>• Executive Director & COO<br>• Chief Financial Officer<br>• Chief Business Officer<br>• Company Secretary & Head of Legal (Secretary)<br>• Head of Compliance<br>• Head of Credit<br>• Head of Treasury<br>• Head of Operations<br>• Head of Human Resources<br>• Head of Risk<br>• Head of IT | • CEO<br>• Executive Director & COO<br>• Chief Financial Officer<br>• Chief Business Officer<br>• Company Secretary & Head of Legal<br>• Head of Compliance<br>• Head of Risk (Secretary)<br>• Head of Human Resources<br>• Head of IT<br>• Head of Operations<br>• Head of Credit<br>• Head of Treasury |
| Frequency of meetings | Monthly | Monthly |

| Management Assets and Liabilities Committee | Management Credit Committee | Management IT and Operations Committee | Management HR Committee |
|---|---|---|---|
| CEO | CEO | ED/COO | CEO |
| • CEO<br>• Executive Director & COO<br>• Chief Financial Officer<br>• Head of Treasury<br>• Chief Business Officer<br>• Head of Risk | • CEO<br>• Executive Director & COO<br>• Head of Credit<br>• Chief Financial Officer<br>• Credit Manager<br><br>**Attendees**<br>• Head of Risk<br>• Company Secretary & Head of Legal<br>• Chief Business Officer<br>• Team Leader Recoveries and Special Assets | • Executive Director & COO<br>• Head of IT<br>• Head of Operations<br>• Manager Transformation and Change<br>• Manager IT Risk<br>• Chief Business Officer<br>• Manager Operational Risk<br>• Head Innovations and Customer Solutions | • CEO<br>• Executive Director & COO<br>• Head of Human Resources<br>• Company Secretary & Head of Legal |
| Monthly | Monthly | Monthly | Monthly |

- The purpose of the EXCO is to provide leadership and direction in the development of the Bank's business, including overseeing risk acceptance criteria in line with the vision, values, and aspirations of the Bank.

- To conduct a periodic review of the Bank's strategic and operational plans, performance of the business for the purposes of realising the strategy and ensure that senior management and staff generally have a clear understanding of, and total commitment to, the agreed strategy and annual business plans; and that this is reflected in individual business plans, budgets and financial scorecards, and performance objectives.

- Evaluate the firm's risk profile and overall level of risk appetite on a periodic basis.

- Review and recommend all risk management policies like credit, market, concentration, liquidity, operational, counterparty, anti-money laundering and compliance etc. and take ownership of the Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment Process (ILAAP).

- Review and measure the Bank's residual risk and recommend actions to manage it within acceptable limits.

- Review the indicative capital requirements, consider the overall risk limits, and consider how they affect the risk profile of the firm.

- Establish the strategies, organisation, method of analysis and system support for the effective management of the assets and liabilities of the Bank.
- Review and recommend to the Board the bank's Individual Liquidity Adequacy Assessment Process (ILAAP) and liquidity policy for approval.
- Set limits for liquidity and market risk within the banks overall risk appetite and ensure its implementation.
- Monitor the proportion of loans and fixed income securities in assets and their corresponding income and establish strategies on the loans and securities portfolios.
- Review and monitor the maturity and re-pricing mismatches.
- To discuss the overall performance, balance sheet and profit 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

| | Tender Committee |
|---|---|
| **Chairman** | ED/COO |
| **Members** | • Executive Director & COO<br>• Chief Financial Officer<br>• Head of Operations<br>• Head of IT<br>• Manager Procurement and Administration<br>• Head of Compliance |
| **Frequency of meetings** | Quarterly |
| **Main Functions** | • Review and approve the annual procurement plans.<br>• Approve the evaluation committee for specific procurement of goods and services.<br>• Review and approve evaluation reports from the evaluation committees.<br>• Review the process of pre-qualification of providers of goods and services and approve providers of goods and services.<br>• Opening, endorsing and recording bids.<br>• Recommend awarding contracts and tenders.<br>• Approve amendments to the awarded contract and recommend to the MD/CEO.<br>• Ensure that due diligence is conducted for all the goods and services that are procured.<br>• Ensure that there is value for money in all goods and services procured.<br>• Ensure that the procurement policies and procedures are adhered to in all the procurement activities of the Bank.<br>• Review and approval of procurement requests in consultation with the user department.<br>• Approval of bids based on the approved procurement procedures and specifications. |

# 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:

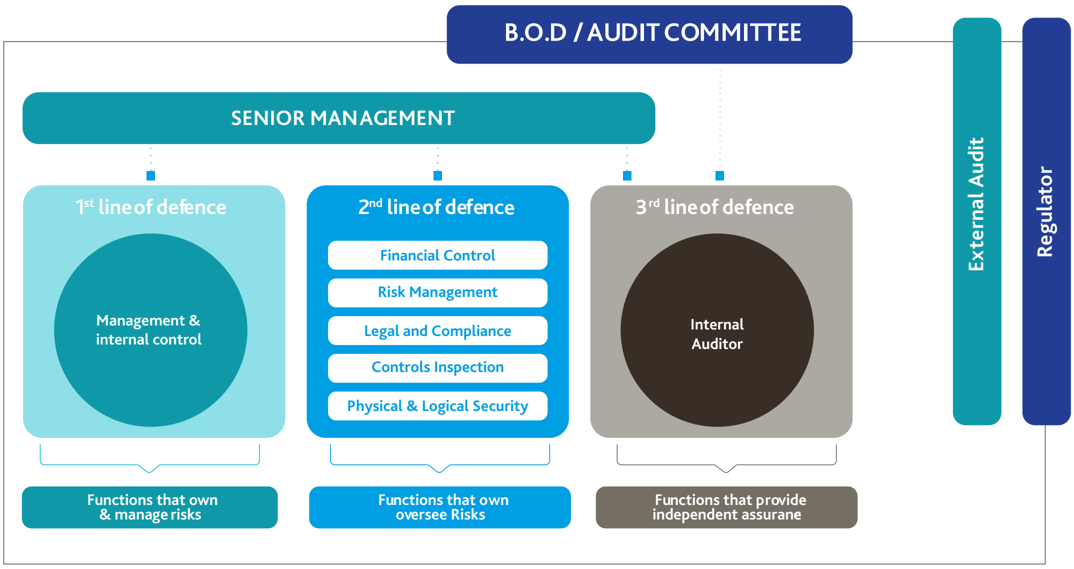
- Principal risks faced by the entity which guides the organisation of the risk management function.
- Risk appetite requirements. This helps define the level of risk we are willing to undertake in our business
- Risk management and segregation of duties. The risk management framework defines three lines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

| | EVALUATE | RESPOND | MONITOR |
|---|---|---|---|
| EXTERNAL | Policy intervention(e.g, Reserve capital requirements revisions) (Medium)<br>Impact of significant global factors (e.g, China's policies against covid, Russia-Ukraine conflict) (Medium) | Uganda's economic climate (High)<br>Increasing industry competition pressure (High)<br>Local commodity price movements (High)<br>Global economic climate impacting funding sources (High) | Subdued global growth, including China slow down (Medium)<br>Climatic conditions. Eg Droughts (Medium) |
| INTERNAL | | Cyber Risk (High)<br>Data Management (High)<br>Strategy and Execution Risk (High)<br>Business resillence & Disaster recovery (High) | **Risk Rating**<br>High<br>Medium |

## 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.<br>> **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.<br>> **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:<br>> **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.<br>> **Technology risk:** the risk of loss of business, customer transactability, reputation due to the impact of unavailable, unstable, or unsecure technology systems and infrastructure.<br>> **People risk:** the risk of loss due to inadequate people capacity or insufficiently trained personnel to support the business activities of the organization.<br>> **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<br>• Stress testing<br>• Early warning indicator analysis<br>• Sensitivity analysis | • Portfolio at risk measures<br>• IFRS 9 modelling<br>• Concentration limits |
| **Funding risk** | • Annual RCSA workshop<br>• Stress testing<br>• KRI analysis | • Floor and ceiling regulatory limits<br>• Concentration limits<br>• Stressed earnings/ liquidity |
| **Operational risk** | • RCSA workshops<br>• KRI analysis<br>• Incident Management<br>• Scenario Analysis | • Risk appetite limits<br>• Materility matrix<br>• 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 on 29 May 2024.

### 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.

## 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)

Sustainable development within our communities is embedded in the ethos of I&M Bank. Leveraging the I&M Bank Foundation Corporate Social Responsibility pillars: economic empowerment & development, education & skills enhancement, environmental conservation and donations towards health improvement, allows us to drive impactful change that directly benefits communities in which we operate and ultimately, champion sustainable growth.

In 2024, our Corporate Social Responsibility initiatives impacted the lives of 630,000 less privileged Ugandans.

## Enabling Giving

&M Bank Uganda has been at the forefront of championing initiatives that address critical issues which impact the Ugandan community. In 2024 as the official banking partner of the 2024 Kabaka Birthday Run, I&M Bank joined forces with over 100,000 Ugandans from all corners of the world to celebrate the 69th birthday of His Majesty Ronald Muwenda Mutebi II. The 2024 edition of the Kabaka Birthday Run carried profound significance as it aimed to galvanize support in the fight against the HIV/AIDS pandemic, with an ambitious goal to eliminate the epidemic by 2030. I&M Bank's contribution went over and above the generous Shs 200 million sponsorship package we provided. More than 150 Bank staff joined the massive congregation of runners at Mengo.

The Ministry of Health reported in 2023 that there are about 15 million Ugandans (35 percent of the population) with mental health challenges. Running under the theme, "Shine a light illuminating mental health 2024", I&M bank partnered with the Queen of Buganda Kingdom, Sylvia Nagginda under the Nnabagereka Development Foundation to raise awareness about mental health in Buganda and the country at large.

In commemoration of Mother's Day and efforts to improve maternal health and bolster the welfare of both mothers and their newborns, I&M Bank donated 500 mama kits and eight emergency trolleys to Nsambya Hospital, while the Bank partnered with the Uganda Blood Transfusion Services and carried out blood donation drives that stretched to Kingdom Kampala, Jinja, Kawempe and Arua branches. Over 200 units of blood were collected.

In similar vein, I&M Bank partnered with the Kampala Archdiocese, Buganda Kingdom and Rotary Uganda in a noble cause to support the completion of a new accident and trauma center at Nkozi Hospital, which is strategically located along the Kampala-Masaka highway. The hospital receives between 350-508 accident cases annually. However, the hospital's current facilities are inadequate to handle this volume resulting in loss of lives and disabilities.

Sill on improving health, we partnered with Wazi Vision and conducted a complimentary eye check-up for tens of neighbors and the general public. The initiative aimed to provide free eye examinations and raise awareness about eye health among the community.

## Education & Skills enhancement

In a bid to enhance student access to technology and support the education of girl child, I&M Bank donated 16 fully equipped computers to Masheruka Girl's Secondary School, impacting over 800 girls.

With the I&M Bank Katogo Golf Series now a household name on the golfing calendar, I&M Bank donated Shs 20 million to ensure that caddies and the children of the course maintenance staff of Entebbe Club (the home of the tournament) stay in school.

Furthermore, recognising that 64% of female students miss school regularly due to lack of sanitary pads, I&M Bank partnered with Kids of Africa, an annual charity run which aims to create awareness and promote the use of reusable sanitary pads. Proceeds from the run were given to Days for Girls, a non-governmental organisation committed to eliminating the stigma and challenges associated with menstruation.

## Economic Empowerment

Family businesses in Uganda stand at a critical threshold as few family-owned businesses survive past their founding members and almost none transcend to the third generation. Against this background, I&M Bank Uganda joined forces with Enjovu Family Business, a leading resource network for family businesses in Uganda, to address community and family business challenges through shared knowledge and solutions.

In this regard two events where held: the first was the Enjovu Family Business Breakfast organised under the theme "Preserve Your Legacy and Protect Your Family Business with an Estate Plan". The discussions delved into topics such as estate planning, trust funds, wills, protection of family wealth, generational wealth, asset management and distribution, and minimizing family conflicts. The Enjovu Family Business Breakfast highlighted four essential takeaways: preservation of key family business aspects, values, visions, and legacy.

The second event was the Enjovu Family Business Conference which gathered family business leaders, advisors, and peers to explore strategies for ensuring the sustainability of family enterprises across generations. The conference, themed "Family Governance - Managing Conflict and Building Family Businesses to Last," focused on addressing key challenges family businesses face, particularly in Africa.

The event provided a platform for family businesses to learn best practices, build networks, and explore solutions to sustain their enterprises for generations.

## 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.

**Sustainability Reporting**

In order to enhance greater transparency, the Bank intends to adopt the following standards in accordance with implementation guidelines from ICPAU.

| New standards or amendments | Effective date | Description |
|---|---|---|
| IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information And IFRS S2* Climate-related Disclosures | as per ICPAU guideline, depending on the entity's category | The first IFRS® Sustainability Disclosure Standards mark the next step towards equal prominence for sustainability and financial reporting. They are based on existing frameworks and standards, including Task Force on Climate-Related Financial Disclosures (TCFD framework) and Sustainability Accounting Standards Board (SASB). The aim is to create a global baseline for investor-focused sustainability reporting that local jurisdictions can build on.<br>• IFRS S1 sets out overall requirements for sustainability-related risks and opportunities that is useful to the primary users of financial statements.<br>• IFRS S2 sets out the requirements for identifying, measuring, and disclosing information about climate-related risks and opportunities that is useful to primary users of financial statements.<br>Companies will report on all relevant sustainability topics under a consistent global framework and focus on how these topics impact a company's prospects. Reporting will be connected to the financial statements. Therefore, companies will need processes and controls in place so that they can provide sustainability-related information of the same quality, and at the same time, as their financial information. The standards are effective from 1 January 2024, however Individual jurisdictions will decide whether and when to adopt.<br><br>In July 2024, ICPAU issued a public consultation on the adoption of the IFRS® Sustainability Disclosure Standards (IFRS S1 General requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related disclosures), in Uganda, the analysis of results of which is still underway. As per the consultation, a phased approach to the adoption is being proposed as follows: |

| New standards or amendments | Timelines (Accounting period beginning on or after) | Organisation Involved |
|---|---|---|
| Phase I – Voluntary adoption | 01 January 2027 | Public Interest Entities (PIEs) |
| Phase II – Mandatory Adoption | 01 January 2027 | Public Interest Entities (PIEs) |
| Phase III – Voluntary adoption | 01 January 2029 | Other entities (other than PIEs) |
| Phase IV – Government Organisations | To be determined by ICPAU when IPSASB issues sustainability reporting standards for public sector entities | Government organisations |

# 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 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include material accounting policies, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and in the manner required by the Companies Act, Cap 106 Laws of Uganda and Financial Institutions Act 2004 ( as ammended), Cap 57 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 Accounting Standards, the Financial Institutions Act 2004 ( as ammended), Cap 57 Laws of Uganda and the Companies Act, Cap 106 Laws of Uganda.

## Approval of the financial statements

The financial statements on pages 41 to 145 were approved and authorised for issue by the Board of Directors on 22nd April 2025 and signed on its behalf by:

**Director**

**Director**

**Director**

**Secretary**

KPMG
Certified Public Accountant
of Uganda. 3rd Floor, Rwenzori Courts
Plot 2 & 4A, Nakasero Road,
P O Box 3509 Kampala, Uganda
Reg No. AF0026

Tel +256 312 170 080/1,
Fax +256 414 340 318
Email info@kpmg.co.ug,
Internet: www.kpmg.com/eastafrica

# 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 41 to 145, which comprise the statement of financial position as at 31 December 2024, 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, Cap 106 Laws of Uganda and Financial Institutions Act 2004 (as ammended), Cap 57 Laws of Uganda.

### Basis for opinion

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

### Key audit matters

We draw attention to Note 4(d) to the financial statements which indicates that as at 31 December 2024, the bank's Capital Funds Unimpaired by Losses of Ushs 134 billion was below the minimum capital requirements of Ushs 150 billion. The note further indicates that the bank has a capital restoration plan which will be submitted to Bank of Uganda for approval. Our opinion is not modified in respect of this matter.

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 | How the matter was addressed in our audit |
|---|---|
| Expected Credit Losses on loans and advances to customers is considered a Key Audit Matter because the directors make complex and significant judgments,estimates and assumptions over both timing of recognition of impairment and the estimation of the amount of any such impairment.<br>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 (ECLs) are:<br><br>**Model estimations**<br>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).<br><br>**Economic scenarios**<br>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.<br><br>**Significant Increase in Credit Risk ('SICR')**<br>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. This includes judgements around qualitative factors such as sector specific operating risks and quantitative factors such as days past due etc. | Our audit procedures in this area included:<br>• 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 manual and general IT controls around the ECL process.<br>• Evaluating the appropriateness of the Bank's ECL methodologies for determining SICR by assessing:<br>**a)** quantitative factors used such as days past due by re-aging of the loans to assess accuracy of the classification of the loans into stage 1, 2 and 3, and<br>**b)** the qualitative factors used such as sector specific operating risks by checking against new sector regulations and published information about industry challenges.<br>• Obtaining a sample and evaluating key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, LGD, EAD and PD assumptions applied. This included:<br>**a)** confirming completeness of the details of loans and advances to customers used in the ECL calculation against those in the loan book reconciled to the general ledger,<br>**b)** Confirming a sample of loan details to the signed offer letters ,<br>**c)** recomputations of the effective interest rates and comparing to those applied in the ECL computation, and<br>**d)** Tracing details of recoveries through collateral to previous property valuations and evidence of receipts.<br>• Recomputed the probability of default based on the Bank's ECL policy and compared our results to the PD applied in the ECL computation.<br>• Recomputing the Exposure at Default for a sample of loans and comparing our results to the amounts included in the ECL computation.<br>• Checking accuracy of the LGD by:<br>**a)** comparing the collateral values against applied to the ECL computations against valuation reports prepared by professional valuers, and<br>**b)** recomputing the cure rates and comparing to those applied by the Bank in the determination of LGD.<br>• Involving our Financial Risk Management (FRM) specialists to review the macroeconomic model including assessing the key economic variables used as well as the overall reasonableness of the economic forecasts used by checking the macro economic model against the requirements of IFRS 9, industry practice and externally available forecasts.<br>• Assessing the accuracy of the ECL by recomputing the ECL using management's assumptions to determine the conxsistence of the methodology adopted by management.<br>• Evaluating the adequacy of the financial statements disclosures including the disclosures of key assumptions and judgements in line with IFRS 9 and IFRS 7. |

## 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 2024 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 Accounting Standards and in the manner required by the Companies Act, Cap 106 Laws of Uganda and Financial Institutions Act 2004 (as ammended), Cap 57 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 Companies Act, Cap 106 Laws of Uganda, we report to you solely based on our audit of the financial statements, that:

- 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;
- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books;
- 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: 29th Aprill, 2025**

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | 2023 Ushs'000 | 2024 Ushs'000 |
|---|---|---|---|
| Interest income | 7 | 97,804,330 | 75,638,382 |
| Interest expense | 8 | (41,512,831) | (23,828,066) |
| **Net interest income** | | **56,291,499** | **51,810,316** |
| | | | |
| Fee and commission income | 9(a) | 13,443,676 | 11,904,604 |
| Fee and commission expense | 9(b) | (39,336) | (86,338) |
| **Net fee and commission income** | | **13,404,340** | **11,818,266** |
| **Revenue** | | **69,695,839** | **63,628,582** |
| | | | |
| Net trading income | 10 | 6,931,933 | 6,009,804 |
| Other operating income | 11 | 11,732,383 | 1,896,245 |
| **Net operating income before change in expected credit losses** | | **88,360,155** | **71,534,631** |
| | | | |
| Expected credit losses on financial assets | 17(c)(i) | 1,387,112 | (3,997,599) |
| Staff costs | 12(a) | (26,159,778) | (21,462,214) |
| Premises and equipment costs | 12(b) | (10,951,778) | (8,137,093) |
| General administrative expenses | 12(c) | (23,444,372) | (20,300,775) |
| Depreciation and amortisation | 12(d) | (9,211,231) | (6,125,250) |
| **Operating expenses** | | **(68,394,249)** | **(60,022,931)** |
| | | | |
| **Profit before income tax** | **13** | **19,965,906** | **11,511,700** |
| Income tax credit/ (charge) | 14(a) | 307,701 | (4,547) |
| **Net profit for the year after tax** | | **20,273,607** | **11,507,153** |
| **Total comprehensive income for the year** | | **20,273,607** | **11,507,153** |

The notes set out on pages 45 to 142 form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2024

| | Note | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash balances with the central bank | 15(a) | 129,392,887 | 156,248,396 |
| Deposits and balances due from banking institutions | 15(b) | 128,437,868 | 169,083,093 |
| Loans and advances to customers | 16(a) | 406,900,701 | 300,986,525 |
| Derivative financial assets | 17(a)(i) | 47,806 | 40,372 |
| Government securities at FVTPL | 17(a)(ii) | 28,477,994 | 40,665,772 |
| Government securities at amortised cost | 17(b)(i) | 267,879,414 | 174,597,940 |
| Other assets | 22 | 26,525,268 | 9,879,296 |
| Property and equipment | 18 | 17,939,461 | 22,510,482 |
| Right of use assets | 21 | 10,066,191 | 7,289,664 |
| Intangible assets - software | 19 | 17,687,371 | 3,875,160 |
| Deferred tax asset | 20 | 64,646,474 | 59,305,284 |
| **TOTAL ASSETS** | | **1,098,001,435** | **944,481,984** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Liabilities** | | | |
| Deposits from customers | 23 | 757,418,931 | 687,764,744 |
| Deposits due to other banks | 24 | 92,220,839 | 32,267,941 |
| Other liabilities | 25 | 19,741,889 | 18,775,920 |
| Lease liability | 26(a) | 9,833,351 | 7,160,561 |
| | | **879,215,010** | **745,969,166** |
| **Shareholders' equity** | | | |
| Issued capital | 27(a) | 210,000,000 | 210,000,000 |
| Retained earnings/ (accumulated losses) | **Page 42** | 6,653,580 | (11,487,182) |
| Statutory credit risk reserve | **27(b)** | 2,132,845 | - |
| **Total shareholders' equity** | | **218,786,425** | **198,512,818** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **1,098,001,435** | **944,481,984** |

The financial statements set out on pages 41 to 145 were approved and authorised for issue by the Board of Directors on 22 April 2025, and were signed on its behalf by:

**Director** ____________________ **Director** ____________________ **Director** ____________________ **Secretary** ____________________

The notes set out on pages 45 to 142 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

| 2024: | Note | Share capital Ushs'000 | Retained Earnings/ Accumulated losses Ushs'000 | Statutory credit risk reserve Ushs'000 | Total Ushs'000 |
|---|---|---|---|---|---|
| **At 1 January 2024** | | **210,000,000** | **(11,487,182)** | - | **198,512,818** |
| **Total Comprehensive income** | | - | | - | |
| Profit for the year | | - | **20,273,284** | - | **20,273,284** |
| **Total Comprehensive income** | | **-** | **20,273,284** | **-** | **20,273,284** |
| **Transfer to statutory credit risk reserve** | | | **(2,132,845** | **2,132,845** | **-** |
| **Transactions with equity holders** | | | | | |
| Issue of share capital | 26(a) | | - | - | - |
| **Total transactions with equity holders** | | | - | - | - |
| **Balance as at 31 December 2024** | | **210,000,000** | **6,653,580** | **2,132,845** | **218,786,425** |

The notes set out on pages 45 to 142 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

| 2023: | Note | Share capital Ushs'000 | Retained Earnings/ Accumulated losses Ushs'000 | Statutory credit risk reserve Ushs'000 | Total Ushs'000 |
|---|---|---|---|---|---|
| **At 1 January 2023** | | **150,000,000** | **(22,994,335)** | **-** | **127,005,665** |
| Total Comprehensive income | | - | | - | |
| Profit for the year | | | 11,507,153 | - | **11,507,153** |
| **Total Comprehensive income** | | **-** | **11,507,153** | **-** | **11,507,153** |
| **Transactions with equity holders** | | | | | |
| Conversion of preference shares to ordinary shares | **26(a)** | 9,500,000 | | | **9,500,000** |
| Issue of share capital | **26(a)** | 50,500,000 | - | - | **50,500,000** |
| **Total transactions with equity holders** | | **60,000,000** | **-** | **-** | **60,000,000** |
| **Balance as at 31 December 2023** | | **210,000,000** | **(11,487,182)** | **-** | **198,512,818** |

The notes set out on pages 45 to 142 form an integral part of these financial statement

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

| | Note | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|---|
| Profit before income tax | | **19,965,906** | **11,511,700** |
| Adjustments for: | | | |
| Expected credit losses on financial assets | **17(c)(i)** | (1,387,112) | 3,997,599 |
| Interest expense – customers and other banks | **8** | 40,984,446 | 23,340,338 |
| Interest on lease liabilities | **8** | 528,385 | 487,728 |
| Interest income | **7** | (97,804,330) | (75,638,382) |
| Depreciation of property and equipment | **18** | 3,564,000 | 1,575,407 |
| Amortisation of intangible assets | **19** | 2,388,000 | 1,457,410 |
| Depreciation of right of use asset | **21** | 3,259,231 | 3,092,432 |
| Loss on disposal of leases | **11** | 74,900 | 1,524 |
| Foreign exchange loss/ (gain) on leases | **26(a)** | 40 | (16,756) |
| Loss on sale of property and equipment | **11** | 9,424 | 5,203 |
| Expensed work in progress | **18** | 42,480 | 135,607 |
| Effect of exchange rate fluctuations on cash | | 261,918 | 166,816 |
| **Loss before changes in operating assets and liabilities** | | **(28,112,712)** | **(29,883,374)** |
| **Changes in:** | | | |
| Cash reserve requirement | | 3,540,301 | (1,347,217) |
| Deposits due to other banks | | 59,952,898 | 30,700,585 |
| Derivative financial assets | | (7,434) | 689,178 |
| Loans and advances | | (90,622,389) | (58,749,491) |
| Government securities | | (93,281,474) | (820,249) |
| Financial assets at FVTPL | | 12,187,778 | (10,705,387) |
| Other assets | | (16,645,972) | (2,734,690) |
| Customer deposits | | 69,654,187 | 62,783,544 |
| Other liabilities | | 965,969 | (1,483,293) |
| | | **(82,368,848)** | **(11,550,394)** |
| Interest paid on leases | **26(c)** | (528,385) | (487,728) |
| Interest paid – customer deposits and banks | | (28,689,112) | (21,697,513) |
| Interest received | | 88,323,472 | 46,809,135 |
| Income taxes paid | **14** | (5,033,490) | (4,440,762) |
| **Net cash flows (used in)/ from operating activities** | | **(28,296,363** | **8,632,738** |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

| | Note | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Purchase of property and equipment | **18** | (16,715,873) | (15,816,852) |
| Proceeds from sale of property and equipment | | 46,571 | 64,602 |
| Purchase of intangible assets | **19** | (15,294,944) | (2,639,786) |
| **Net cash flows used in investing activities** | | **(31,964,246)** | **(18,392,036)** |
| **Financing activities** | | | |
| Payment of lease liabilities | **26(c)** | (3,437,907) | (3,058,575) |
| Proceeds from issue of shares | **27(a&b)** | - | 50,500,000 |
| **Net cash flows (used in)/ from financing activities** | | **(3,437,907)** | **47,441,425** |
| **Net (decrease)/ increase in cash and cash** | | **(63,698,516)** | **37,682,127** |
| Effect of exchange rate fluctuations | | (261,918) | (166,816) |
| Cash and cash equivalents at start of year | | **312,647,544** | **275,132,233** |
| **Cash and cash equivalents at the end of the year** | 15(c) | **248,687,110** | **312,647,544** |

The notes set out on pages 45 to 142 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 31A/35A Nile Avenue**
**P O Box 3072**
**Kampala, Uganda**

The Bank is licensed and regulated by Bank of Uganda under the Financial Institutions Act 2004 (as ammended) Cap 57, Laws of Uganda. For the Companies Act, Cap 106 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 2024 were approved for issue by the directors on 22nd April 2025.

# 2. BASIS OF PREPARATION

## (a) Basis of accounting

The Bank's financial statements for the year 2024 have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, Cap 106 Laws of Uganda and Financial Institutions Act 20024 ( as ammended), Cap 57 Laws of Uganda. Additional information required by the regulatory bodies is included where appropriate. Details of the material accounting policies are included in Note 3.

The financial statement are prepared on a going concern basis which assumes the bank will be able to discharge it's liabilities in the normal course of business. The bank has reported a net profit after tax of Ushs 20.3 billion, for the year ended 31 December 2024 and, as at that date, current liabilities exceeded current assets.

## (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) 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, the directors have made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 5 of these financial statements.

# 3. MATERIAL 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,

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

then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

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

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

**(iv) Other operating income**

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

## (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 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

IIn 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.

### Government securities (debt instruments)

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

(i) The country's ability to access own local capital markets for new debt issuance;
(ii) 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.

### Presentation of allowance for ECL in the statement of financial position

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.

**Write-off**

Financial assets measured at amortised cost 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.

## iv) De-recognition

**Financial assets**

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

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.

## v) Modifications of financial assets and financial liabilities

**Financial assets**

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

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

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

**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** | 2% |
| **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 & POS** | 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 at a rate of 33.3% per annum.

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 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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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 31.

## (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) 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.

## (r) New standards, amendments, and interpretations

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

| New amendments or interpretation | Effective for annual periods beginning on or after |
|---|---|
| Non current liabilities with covenants – Amendments to IAS 1 and Classification of liabilities as current or non current – Amendments to IAS 1. | 1 January 2024 |
| Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7 | 1 January 2024 |
| Lease Liability in sale and leaseback – Amendments to IFRS 16 | 1 January 2024 |

**Non current liabilities with covenants – Amendments to IAS 1 and Classification of liabilities as current or non current – Amendments to IAS 1.**

The Bank has adopted the amendments to IAS 1, published in January 2020, for the first time in the current year. The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments did not have an impact on the Bank's statement of financial position, which is presented in order of liquidity.

The Bank has adopted the amendments to IAS 1, published in November 2022, for the first time in the current year. The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. The amendments did not have an impact on the Bank's statement of financial position, which is presented in order of liquidity.

### Supplier Finance Arrangements-Amendments to IAS 7 and IFRS 7

In May 2023, the International Accounting Standards Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. With the amendments, the IASB has introduced new disclosure requirements in IFRS Standards to enhance the transparency and, thus, the usefulness of the information provided by entities about supplier finance arrangements. The disclosure requirements in the amendments enhance the current requirements and are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers. As a result, supplier finance arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the original payment due dates. The amendments did not have an impact in the Bank's financial statements.

### Amendments to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The Bank has adopted the amendments to IFRS 16 for the first time in the current year. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability. The amendments did not have an impact on the Bank's statement of financial position, which is presented in order of liquidity.

### (ii) New standards, amendments, and interpretations in issue but not yet effective for the year ended 31 December 2024.

| New amendments or interpretation | Effective for annual periods beginning on or after |
|---|---|
| Classification and measurement of financial instruments – Amendments to IFRS 9 and IFRS 7 | 1 January 2026 |
| IFRS 18 Presentation and Disclosure in Financial statements | 1 January 2027 |
| Lack of Exchangeability – Amendments to IAS 21 | 1 January 2025 |
| IFRS 19 Subsidiaries without Public Accountability Disclosures | 1 January 2027 |
| Annual improvements to IFRS Accounting standards – Volume 11 | 1 January 2026 |
| 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 |

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

### Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and measurement of Financial Instruments which amended IFRS 9 and IFRS 7. The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to;

- Settling financial liabilities using electronic payments system; and
- Assessing contractual cashflow characteristics of financial assets, including those with sustainability-linked features.

The Bank is in the process of assessing the impact of the new amendments.

### IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements;

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing and discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements. In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cashflows when presenting operating cash flows under the indirect method.

The Bank is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Bank's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Bank is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as "other".

### Lack of Exchangeability – Amendments to IAS 21

In August 2023, the International Accounting Standards Board (IASB) amended IAS 21 to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, a company needs to estimate a spot rate.

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- the nature and financial impacts of the currency not being exchangeable;
- the spot exchange rate used;
- the estimation process; and
- risks to the company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

The amendments are not expected to have a material impact on the Bank as the Bank currently does not have transactions in currencies where there is lack of exchangeability.

### 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 IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted. The amendments are not expected to have a material impact on the Bank.

### Annual improvements to IFRS Accounting standards – Volume 11

On 18 July 2024, the International Accounting Standards Board (IASB) issued the Annual Improvements to IFRS Accounting Standards-Volume 11. It contains amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7.

The IASB's annual improvements are limited to amendments that either clarify the wording of an IFRS standard or correct relatively

minor unintended consequences, oversights or conflicts between requirements in the standards.
The amendments contained in the Annual Improvements relate to:

**IFRS 1 First-time Adoption of International Financial Reporting Standards - Hedge Accounting by a First-time Adopter**

**IFRS 7 Financial Instruments: Disclosures:**

- Gain or loss on derecognition
- Disclosure of differences between the fair value and the transaction price
- Disclosures on credit risk

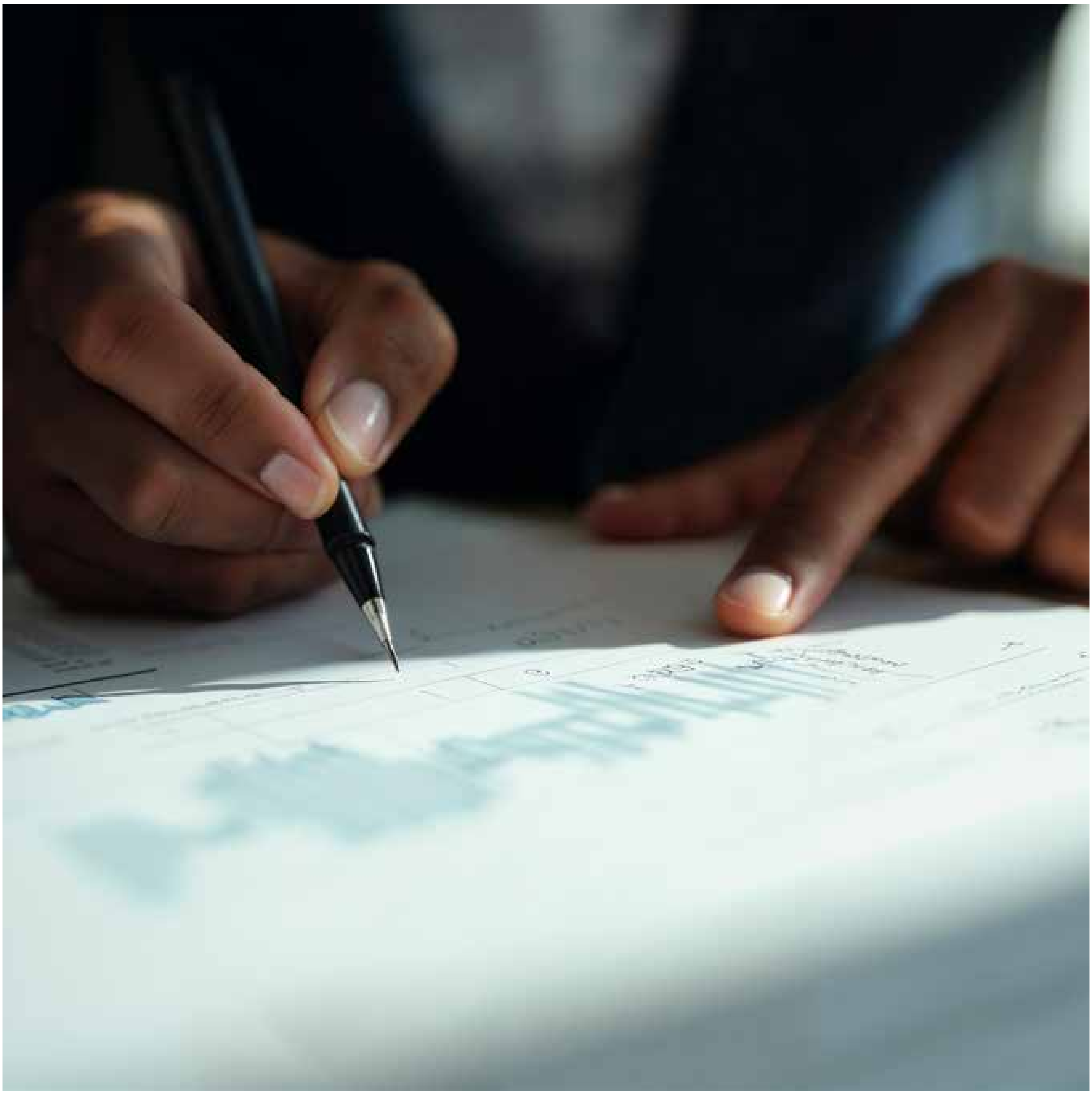
**IFRS 9 Financial Instruments:**

- Derecognition of lease liabilities
- Transaction price

**IFRS 10 Consolidated Financial Statements - Determination of a 'de facto agent**

**IAS 7 Statement of Cash Flows - Cost Method.**

These amendments are mandatory for financial years beginning on or after 1 January 2026; earlier application is permitted.
The amendments are not expected to have a material impact on the financial statements of 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 liquidity risk. Market risk tracks volatility in currency and interest rates.

### (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.


STRATEGY FOR ECONOMICAL
GROWTH IN TERTIARY SECTOR
ANNUAL INCOME
GROSS REVENUE

### 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.

| 2024 | 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 | 116,118,379 | - | - | 116,118,379 |
| Grade 7-9: Satisfactory | 0.60-11.34 | 278,479,006 | 7,290,838 | - | 285,769,844 |
| Grade 10: Higher risk | 11.35-99.9 | - | 7,853,242 | - | 7,853,242 |
| Grade 11-12: Credit impaired | 100 | - | - | 21,003,083 | 21,003,083 |
| **Gross carrying amount** | | **394,597,385** | **15,144,080** | **21,003,083** | **430,744,548** |
| Loss allowance | | (1,821,240)) | (200,164) | (17,641,005) | (19,662,409) |
| Modification gains | | (700,008) | - | - | (700,008) |
| Discount on staff loans | | (3,481,430) | - | - | (3,481,430) |
| **Carrying amount** | | **388,594,707** | **15,452,316** | **3,362,078** | **406,900,701** |

| 2023 | | | | | |
|---|---|---|---|---|---|
| **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 | 126,785,163 | 115,675 | - | 126,900,838 |
| Grade 7-9: Satisfactory | 0.06-11.34 | 121,921,604 | 38,067,683 | - | 159,989,287 |
| Grade 10: Higher risk | 11.35-99.9 | - | 1,073,030 | - | 1,073,030 |
| Grade 11-12: Credit impaired | 100 | - | - | 46,176,876 | 46,176,876 |
| **Gross carrying amount** | | **248,706,767** | **39,256,388** | **46,176,876** | **334,140,031** |
| Loss allowance | | (918,846) | (200,175) | (28,639,977) | (29,758,998) |
| Modification gains | | (580,548) | - | - | (580,548) |
| Discount on staff loans | | (2,813,960) | - | - | (2,813,960) |
| **Carrying amount** | | **244,393,413** | **39,056,213** | **17,536,899** | **300,986,525** |

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

| Loans and advances to customers | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| **Identified impairment:** | | |
| Grade 3: Substandard | 2,287,608 | 5,570,458 |
| Grade 4: Doubtful | 2,944,191 | 8,002,614 |
| Grade 5: Loss | 15,771,284 | 32,603,804 |
| | **21,003,083** | **46,176,876** |
| Specific allowances for impairment | (17,641,005) | (28,639,977) |
| **Carrying amount** | **3,362,078** | **17,536,899** |
| Unidentified impairment: | | |
| Grade 2: Watch | 15,144,080 | 39,256,388 |
| Grade 1: Normal | 394,597,385 | 248,706,767 |
| | **409,741,465** | **287,963,155** |
| Portfolio allowances for impairment | (2,021,404) | (1,119,021) |
| **Carrying amount** | **407,720,061** | **286,844,134** |
| **Net carrying amount** | **411,082,139** | **304,381,033** |
| Modification gains | (700,008) | (580,548) |
| Discount on staff loans | (3,481,430) | (2,813,960) |
| **Total carrying amount** | **406,900,701** | **300,986,525** |

### 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)**

| 2024 | 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 | 129,007,454 | - | - | 129,007,454 |
| **Gross carrying amount** | | **129,007,454** | **-** | **-** | **129,007,454** |
| Loss allowance | | (569,586) | - | - | (569,586) |
| **Carrying amount** | | **128,437,868** | **-** | **-** | **128,437,868** |

**Deposits and balances due from banks (placements)**

| 2023 | | | | | |
|---|---|---|---|---|---|
| Grade 1-6: Strong | 0-0.59 | 169,310,770 | - | - | 169,310,770 |
| **Gross carrying amount** | | **169,310,770** | **-** | **-** | **169,310,770** |
| Loss allowance | | (227,677) | - | - | (227,677) |
| **Carrying amount** | | **169,083,093** | **-** | **-** | **169,083,093** |

**Debt investment securities at amortised cost**

| 2024 | | | | | |
|---|---|---|---|---|---|
| Grade 1-6: Strong | 0-0.59 | 267,898,039 | - | - | 267,898,039 |
| **Gross carrying amount** | | **267,898,039** | **-** | **-** | **267,898,039** |
| Loss allowance | | (18,625) | - | - | (18,625) |
| **Carrying amount** | | **267,879,414** | **-** | **-** | **267,879,414** |

**Debt investment securities at amortised cost**

| 2023 | | | | | |
|---|---|---|---|---|---|
| Grade 1-6: Strong | 0-0.59 | 175,234,096 | - | - | 175,234,096 |
| **Gross carrying amount** | | **175,234,096** | **-** | **-** | **175,234,096** |
| Loss allowance | | (636,156) | - | - | (636,156) |
| **Carrying amount** | | **174,597,940** | **-** | **-** | **174,597,940** |

The expected credit losses for Government securities at amortised cost were determined using LGD of 45% for 2024( 2023: 45%). The LGD was determined using a internally generated factors with reference to the basel framework guidance.

#### iv. Credit quality analysis-Guarantees and performance bonds

| 2024 | 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 | 39,226,231 | - | - | 39,226,231 |
| Grade 7-9: Satisfactory | 0.60-11.34 | 14,580,787 | - | - | 14,580,787 |
| Grade 10: Higher risk | 11.35-99.9 | - | - | - | - |
| Grade 11-12: Credit impaired | 100 | - | - | - | - |
| **Total amount guaranteed** | | **53,807,018** | **-** | **-** | **53,807,018** |
| Loss allowance | | (160,490) | - | - | (160,490) |
| **Carrying amount** | | **53,646,528** | **-** | **-** | **53,646,528** |
| **2023** | | | | | |
| **Risk classification** | | **Ushs'000** | **Ushs'000** | **Ushs'000** | **Ushs'000** |
| **Guarantees and performance bonds** | | | | | |
| Grade 1-6: Strong | 0-0.59 | 40,056,165 | - | - | 40,056,165 |
| Grade 7-9: Satisfactory | 0.60-11.34 | 5,062,810 | - | - | 5,062,810 |
| Grade 10: Higher risk | 11.35-99.9 | - | | - | - |
| Grade 11-12: Credit impaired | 100 | - | | **113,460** | 113,460 |
| **Total amount guaranteed** | | **45,118,975** | **-** | **113,460** | **45,232,435** |
| Loss allowance | | (10,006) | - | **(22,172)** | (32,178) |
| **Carrying amount** | | **45,108,969** | **-** | **91,288** | **45,200,257** |

#### iv. Credit quality analysis-Loan commitments

| 2024 | | | | | |
|---|---|---|---|---|---|
| **Risk classification** | | **Ushs'000** | **Ushs'000** | **Ushs'000** | **Ushs'000** |
| **Loan commitments** | | | | | |
| Grade 1-6: Strong | 0-0.59 | 6,313,813 | - | - | 6,313,813 |
| Grade 7-9: Satisfactory | 0.60-11.34 | 14,259,853 | - | - | 14,259,853 |
| **Total loan commitments** | | **20,573,666** | **-** | **-** | **20,573,666** |
| Loss allowance | | (2,503) | - | - | (2,503) |
| **Carrying amount** | | **20,571,163** | **-** | **-** | **20,571,163** |

| 2023 | | | | | |
|---|---|---|---|---|---|
| **Risk classification** | | **Ushs'000** | **Ushs'000** | **Ushs'000** | **Ushs'000** |
| **Loan commitments** | | | | | |
| Grade 1-6: Strong | 0-0.59 | 4,382,930 | - | - | 4,382,930 |
| Grade 7-9: Satisfactory | 0.60-11.34 | 12,689,424 | - | - | 12,689,424 |
| **Total loan commitments** | | **17,072,354** | **-** | **-** | **17,072,354** |
| Loss allowance | | (1,085) | - | - | (1,085) |
| **Carrying amount** | | **17,071,269** | **-** | **-** | **17,071,269** |

### iv. Credit quality analysis-Letters of credit

| 2024 | 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 | 7,967,946 | - | - | 7,967,946 |
| Grade 7-9: Satisfactory | 0.06-11.34 | 12,665,654 | - | - | 12,665,654 |
| **Total letters of credit** | | **20,633,600** | **-** | **-** | **20,633,600** |
| Loss allowance | | (23,889) | - | | (23,889) |
| **Carrying amount** | | **20,609,711** | **-** | **-** | **20,609,711** |

| 2023 | | | | | |
|---|---|---|---|---|---|
| **Risk classification** | | **Ushs'000** | **Ushs'000** | **Ushs'000** | **Ushs'000** |
| **Letters of credit** | | | | | |
| Grade 1-6: Strong | 0-0.59 | 2,366,511 | - | - | 2,366,511 |
| Grade 7-9: Satisfactory | 0.06-11.34 | 24,197,673 | - | - | 24,197,673 |
| **Total letters of credit** | | **26,564,184** | **-** | **-** | **26,564,184** |
| Loss allowance | | (35,186) | - | - | (35,186) |
| **Carrying amount** | | **26,528,998** | **-** | **-** | **26,528,998** |

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 | 2024 | 2023 |
|---|---|---|
| Rated AAA | - | - |
| Rated AA- to AA+ | - | - |
| Rated A- to A+ | - | - |
| Rated B+ | 267,898,039 | 175,234,095 |

Cash and balances with Central Bank

| 2024 | 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** |
| **Cash and balances with Central Bank** | | | | | |
| Grade 1-6: Strong | 0-0.59 | 129,392,887 | - | - | 129,392,887 |
| **Gross carrying amount** | | **129,392,887** | **-** | **-** | **129,392,887** |
| Loss allowance | | - | - | - | - |
| **Carrying amount** | | **129,392,887** | **-** | **-** | **129,392,887** |

| 2023 | 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** |
| **Cash and balances with Central Bank** | | | | | |
| Grade 1-6: Strong | 0-0.59 | 156,248,396 | - | - | 156,248,396 |
| **Gross carrying amount** | | **156,248,396** | **-** | **-** | **156,248,396** |
| Loss allowance | | - | - | - | - |
| **Carrying amount** | | **156,248,396** | **-** | **-** | **156,248,396** |

In determing the ECL for cash and balances with the Central bank, the bank used an LGD of 55% ( 2023: 55%). This was determined with reference to the Bank's internal assessment adapted to the Basel framework guidance. The resultant expected credit loss for 2024 and 2023 was immaterial.

Deposits and balances due from banking institutions

| 2024 | 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** |
| **Other Assets** | | | | | |
| Grade 1-6: Strong | 0-0.59 | 129,055,260 | - | - | 129,055,260 |
| **Gross carrying amount** | | **129,055,260** | **-** | **-** | **129,055,260** |
| Loss allowance | | (569,586) | - | - | (569,586) |
| **Carrying amount** | | **129,624,846** | **-** | **-** | **129,624,846** |

| 2023 | 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 banking institutions** | | | | | |
| Grade 1-6: Strong | 0-0.59 | 169,351,142 | - | - | 169,351,142 |
| **Gross carrying amount** | | **169,351,142** | **-** | **-** | **169,351,142** |
| Loss allowance | | (227,677) | - | - | (227,677) |
| **Carrying amount** | | **169,578,819** | **-** | **-** | **169,578,819** |

The balances included in the balances for deposits and balances due from banking institutions for the purpose of this credit disclosure exclude derivatives.

Other assets

| 2024 | 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** |
| **Other Assets** | | | | | |
| Grade 1-6: Strong | 0-0.59 | 8,224,750 | - | - | 8,224,750 |
| **Gross carrying amount** | | **8,224,750** | **-** | **-** | **8,224,750** |
| Loss allowance | | - | - | - | - |
| **Carrying amount** | | **8,224,750** | **-** | **-** | **8,224,750** |

| 2023 | 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** |
| **Other Assets** | | | | | |
| Grade 1-6: Strong | 0-0.59 | 2,953,403 | - | - | 2,953,403 |
| **Gross carrying amount** | | **2,953,403** | **-** | **-** | **2,953,403** |
| Loss allowance | | - | - | - | - |
| **Carrying amount** | | **2,953,403** | **-** | **-** | **2,953,403** |

The prepayments reported under other asset balances have not been subjected to determination of expected credit loss. The expected credit loss for other assets for 2024 and 2023 ( excluding prepayments) was determined using LGD based on internally generated factors with reference to the basel framework. The resulting ECL was immaterial.

### 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 2024 or 2023.

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.

| | 2024<br>Gross carrying amount | Collateral | 2023<br>Gross carrying amount | Collateral |
|---|---|---|---|---|
| Stage 1 | 394,597,386 | 730,804,505 | 248,706,767 | 515,795,605 |
| Stage 2 | 15,144,080 | 42,051,249 | 39,256,388 | 99,191,204 |
| Stage 3 | 21,003,082 | 10,248,123 | 46,176,876 | 20,478,126 |

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 2024** | **31 December 2023** | **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 | 2024 | 2023 |
|---|---|---|
| Less than 50% | 213,188,399 | 139,555,237 |
| 51% to 70% | 114,048,170 | 49,459,606 |
| 71% to 90% | 40,541,248 | 15,025,277 |
| 91% to 100% | 70,346,125 | 4,579,474 |
| More than 100% | 72,714,607 | 42,898,045 |

The table above incorporates both loans and advances and off balance sheet facilities when determining the LTV ratio.

## 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 2024 of all loans that have been modified (both substantial and non-substantial modifications):

| | **2024**<br>Ushs'000 | **2023**<br>Ushs'000 |
|---|---:|---:|
| **Term extensions** | | |
| Building, Mortgage, Construction and Real Estate | 6,045,762 | 8,426,559 |
| Hotel and Restaurants | 10,729,444 | 24,776,311 |
| Manufacturing | 248,451 | 1,499,280 |
| Personal Loans and Household Loans | 291,600 | 318,220 |
| Retail Trade | 6,523,112 | 5,792,344 |
| Business Services | - | 24,936 |
| **Total** | **23,838,369** | **40,837,650** |

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

| | **2024** | **2023** |
|---|---:|---:|
| **Financial assets modified during the period** | | |
| Amortised cost before modification | 1,797,266 | 20,800,463 |
| Net modification gain | 110,786 | 1,311,851 |

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.

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 five (5) sectors i.e. average of macroeconomic percentage adjustment under direct inference approach has been applied to the historical PDs for the sectors below since the regression analysis results derived under both direct inference and linear model approach were significantly different from historial PDs and recent trends.

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.

The table below lists the macroeconomic assumptions used in the base, upside and downward scenarios over a twelve months and five-year forecast period. The assumptions represent absolute percentages or month on month percentage changes for the different variables that were statistically significant with the bank's portfolio data.

| 2024 | | General government gross debt | Current account balance | Public Debt to GDP | Unemployment Rate |
|---|---|---|---|---|---|
| Base economic assumption | 12_M Avg | 51.00% | -6.60% | 51.11% | 3.31% |
| | 60_M Avg | 46.10% | -5.13% | 43.86% | 3.33% |
| | Peak | 40.28% | -3.05% | 36.33% | 3.23% |
| Upside economic assumption | 12_M Avg | 50.47% | -5.87% | 50.60% | 3.14% |
| | 60_M Avg | 45.58% | -4.40% | 43.35% | 3.16% |
| | Peak | 39.76% | -2.32% | 35.82% | 3.06% |
| Downside economic assumption | 12_M Avg | 51.52% | -7.33% | 51.62% | 3.47% |
| | 60_M Avg | 46.63% | -5.86% | 44.37% | 3.49% |
| | Trough | 51.88% | -7.36% | 51.91% | 3.52% |

## 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 2024:

| | ECL Ushs'000 | Impact Ushs'000 |
|---|---|---|
| | | |
| If 1% of stage 1 facilities were included in stage 2 | 26,008,250 | 42,465 |
| If 1% of stage 2 facilities were included in stage 1 | 25,301,990 | (663,794) |
| 100% Upside scenario | 25,532,975 | (432,810) |
| 100% base scenario | 25,909,718 | (56,066) |
| 100% downside scenario | 26,361,359 | 395,574 |

### 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) | | | |
|---|---|---|---|---|---|---|---|---|
| **2024** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** |
| **Balance at 1 January 2024** | **918,847** | **200,173** | **28,639,978** | **29,758,998** | **248,706,710** | **39,256,445** | **46,176,876** | **334,140,031** |
| Transfer from 12 months ECL (Stage 1) | (42,399) | 14,201 | 28,198 | - | (16,044,954) | 14,381,420 | 1,663,534 | - |
| Transfer from Lifetime ECL not credit impaired (Stage 2) | (130,966) | 49,989 | 80,977 | - | 13,181,471 | (14,062,917) | 881,446 | - |
| Transfer from Lifetime ECL credit impaired (Stage 3) | - | - | - | - | - | - | - | - |
| Net remeasurement of loss allowance | 417,407 | (42,917) | (923,681) | (549,191 | (5,440,975) | (48,978,253) | (14,824,672) | **(69,243,900)** |
| New financial assets originated or purchased | 786,022 | 4,468 | 178,816 | 969,306 | 127,359,195 | 352,415 | 179,516 | **127,891,126** |
| Financial assets derecognised | (127,671) | (23,033) | (1,066,655) | (1,217,359) | 26,835,938 | 24,204,219 | 3,339,231 | **54,379,388** |
| Write off | - | (2,717) | (9,296,627) | (9,299,345) | - | (9,248) | (16,412,849) | **(16,422,097)** |
| **Total Carrying amount as at 31 December 2024** | **1,821,240** | **200,164** | **17,641,005** | **19,662,409** | **394,597,385** | **15,144,081** | **21,003,082** | **430,744,548** |

**Loans and advances to customers at amortised cost**

| | Provisions (ECL allowance) | | | | Exposure (Gross balance) | | | |
|---|---|---|---|---|---|---|---|---|
| **2023** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** |
| **Balance at 1 January 2023** | 202,773 | 88,646 | 27,824,787 | **28,116,206** | 179,773,778 | 39,448,404 | 45,352,363 | **264,574,545** |
| Transfer from 12 months ECL (Stage 1) | (6,898) | 1,949 | 4,949 | - | (6,902,162) | 4,553,243 | 2,348,919 | - |
| Transfer from Lifetime ECL not credit impaired (Stage 2) | 10,325 | (1,587,000) | 1,576,675 | - | 186,018 | (5,079,906) | 4,893,888 | - |
| Transfer from Lifetime ECL credit impaired (Stage 3) | - | - | - | - | - | - | - | - |
| Net remeasurement of loss allowance | 93,190 | 1,615,919 | 436,815 | **2,145,924** | (20,913,420) | 2,232,077 | (3,785,905) | **(22,467,248)** |
| New financial assets originated or purchased | 708,862 | 121,375 | 677,320 | **1,507,557** | 194,218,082 | 22,827,997 | 2,409,054 | **219,455,133** |
| Financial assets derecognised | (89,405) | (40,716) | (29,922) | **(160,043)** | (97,655,529) | (24,725,427) | (2,857,267) | **(125,238,223)** |
| Write off | - | - | (1,850,646) | **(1,850,646)** | - | - | (2,184,176) | **(2,184,176)** |
| **Total Carrying amount as at 31 December 2022** | **918,847** | **200,173** | **28,639,978** | **29,758,998** | **248,706,767** | **39,256,388** | **46,176,876** | **334,140,031** |

**Off balance sheet items (Loan commitments and financial guarantee contracts, letters of credit)**

| | Provisions (ECL allowance) | | | | Exposure (Gross balance) | | | |
|---|---|---|---|---|---|---|---|---|
| **2024** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** |
| | Ushs'000 | Ushs'000 | Ushs'000 | **Ushs'000** | Ushs'000 | Ushs'000 | Ushs'000 | **Ushs'000** |
| **Balance at 1 January 2024** | **46,276** | **-** | **22,172** | **68,448** | **88,755,512** | **-** | **113,460** | **88,868,972** |
| Transfer from 12 months ECL (Stage 1) | - | - | - | **-** | (3,136,670) | 3,036,670 | 100,000 | **-** |
| Transfer from Lifetime ECL not credit impaired (Stage 2) | - | - | - | **-** | - | - | - | **-** |
| Transfer from Lifetime ECL credit impaired (Stage 3) | - | - | - | **-** | - | - | - | **-** |
| Net remeasurement of loss allowance | 3,905 | - | - | **3,905** | (17,303,868) | (3,036,670) | (100,000) | **(20,440,538)** |
| New commitments and guarantees originated or purchased | 141,112 | - | - | **141,112** | 35,126,638 | - | - | **35,126,638** |
| Commitments and guarantees derecognised | (4,411) | - | (22,172) | **(26,583)** | (8,427,327) | - | (113,460) | **(8,540,787)** |
| **Balance at 31 December 2024** | **186,882** | **-** | **-** | **186,882** | **95,014,285** | **-** | **-** | **95,014,285** |

**Off balance sheet items (Loan commitments and financial guarantee contracts, letters of credit)**

| | Provisions (ECL allowance) | | | | Exposure (Gross balance) | | | |
|---|---|---|---|---|---|---|---|---|
| **2023** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** |
| | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 |
| **Balance at 1 January 2023** | **49,327** | **511** | **-** | **49,838** | **74,661,894** | **160,298** | **5,478,440** | **80,300,632** |
| Transfer from 12 months ECL (Stage 1) | (511) | 511 | - | **-** | - | - | - | **-** |
| Transfer from Lifetime ECL not credit impaired (Stage 2) | - | (22,172) | 22,172 | **-** | - | (111,540) | 111,540 | **-** |
| Transfer from Lifetime ECL credit impaired (Stage 3) | - | - | - | **-** | - | - | - | **-** |
| Net remeasurement of loss allowance | 5,296 | 21,150 | - | **15,854** | (2,494,765) | - | 1,920 | **(2,492,845)** |
| New commitments and guarantees originated or purchased | 43,334 | - | - | **43,334** | 47,509,079 | - | - | **47,509,079** |
| Commitments and guarantees derecognised | (40,578) | - | - | **(40,578)** | (30,920,696) | (48,758) | (5,478,440) | **(36,447,894)** |
| **Balance at 31 December 2023** | **46,276** | **-** | **22,172** | **68,448** | **88,755,512** | **-** | **113,460** | **88,868,972** |

**Deposits and balances due from Banking institutions**

| | Provisions (ECL allowance) | | | | Exposure (Gross balance) | | | |
|---|---|---|---|---|---|---|---|---|
| **2024** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** |
| | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 |
| **Balance at 1 January 2023** | **227,677** | **-** | **-** | **227,677** | **169,351,142** | **-** | **-** | **169,351,142** |
| Transfer from 12 months ECL (Stage 1) | - | - | - | - | - | - | - | - |
| Transfer from Lifetime ECL not credit impaired (Stage 2) | - | - | - | - | - | - | - | - |
| Transfer from Lifetime ECL credit impaired (Stage 3) | - | - | - | - | - | - | - | - |
| Net remeasurement of loss allowance | 341,909 | - | - | 341,909 | - | - | - | - |
| New financial assets originated or purchased | - | - | - | - | - | - | - | - |
| Financial assets derecognised | - | - | - | - | (40,295,882) | - | - | (40,295,882) |
| Write off | - | | | | - | - | - | - |
| **Balance at 31 December 2023** | **569,586** | **-** | **-** | **569,586** | **129,055,260** | **-** | **-** | **129,055,260** |

**Deposits and balances due from Banking institutions**

| | Provisions (ECL allowance) | | | | Exposure (Gross balance) | | | |
|---|---|---|---|---|---|---|---|---|
| **2023** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** | **12-month ECL (Stage 1)** | **Lifetime ECL not credit impaired (Stage 2)** | **Lifetime ECL credit impaired (Stage 3)** | **Total** |
| | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 | Ushs'000 |
| **Balance at 1 January 2023** | **691,951** | **-** | **-** | **691,951** | **142,091,428** | **-** | **-** | **142,091,428** |
| Transfer from 12 months ECL (Stage 1) | - | - | - | **-** | - | - | - | **-** |
| Transfer from Lifetime ECL not credit impaired (Stage 2) | - | - | - | **-** | - | - | - | **-** |
| Transfer from Lifetime ECL credit impaired (Stage 3) | - | - | - | **-** | - | - | - | **-** |
| Net remeasurement of loss allowance | (708,140) | - | - | (708,140) | - | - | - | **-** |
| New financial assets originated or purchased | 243,865 | - | - | 243,865 | - | - | - | **-** |
| Financial assets derecognised | - | - | - | **-** | 27,259,714 | - | - | 27,259,714 |
| Write off | - | | | | - | - | - | **-** |
| **Balance at 31 December 2023** | **227,677** | **-** | **-** | **227,677** | **169,351,142** | **-** | **-** | **169,351,142** |

## (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 were as follows:

| | **2024** | **2025** |
|---|---:|---:|
| At 31 December | 41.37% | 51.70% |
| Average for the period | 43.57% | 52.08% |
| Highest for the period | 54.84% | 56.60% |
| Lowest for the period | 32.95% | 46.08% |

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 2024. The highest and lowest for the period are the highest and lowest liquidity ratios during the period under audit.

Management has put in place strategic initiatives to cover the liquidity gaps and these include liquidating securities portfolio on the secondary market, product campaigns aimed at bringing liabilities, mobilizing deposits from targeted institutions like NSSF, insurers, law firms, etc, mobilizing deposits from Telcos and FinTech's 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.

The Bank will maintain a portfolio of short-term liquid assets, made up of money market placements and deposits with banking institutions to cover the short-term liquidity requirements. Additionally, a substantial proportion of the Bank's investments in government securities are to be maintained in the shorter-term tenors to address the liquidity gap risk.

In the new regulations under The Financial institutions (Liquidity) Requirement 2023, additional liquidity regulations were introduced as indicated below;

**1. Liquidity Coverage Ratio (LCR):** Where the Bank is required to maintain the ratio of stock of high-quality liquid assets net cash outflows over a period of thirty days. This should be equal or higher than one hundred percent or as prescribed by the Central Bank.

**2. Net Stable Funding Ratio (NSFR):** The Bank is required to maintain the ratio of available stable funding to the required stable funding that is not be less than one hundred percent.

**3. Internal Liquidity Adequacy Assessment Process (ILAAP):** Where the Board of Directors of the Bank is required to implement an Internal Liquidity Adequacy Assessment Process (ILAAP) to verify that all material risks are identified, effectively managed and covered by a sufficient level of high-quality liquidity buffers. The assessment shall be carried out at least every two years and a report submitted to the Central Bank. However, the Central Bank may require the Bank to submit the ILAAP report on a more frequent basis.

Compliance assessment for the Liquid assets ratio

| | **2024** | **2023** |
|---|---:|---:|
| Total Liquid assets held (A)* | 201,462,879 | 204,766,096 |
| Weekly average deposits (B) | 758,380,967 | 643,045,031 |
| Total Liquid assets ratio (A/B) | 27% | 32% |
| Prudential requirement: | 20% | 20% |

*Liquid assets shall include: notes and coins which are legal tender in Uganda, balances held at the Central Bank for cash reserves and clearing purposes, moneys at call and balances at banks in Uganda, other than the Central Bank, after deducting balances owed to those banks, Uganda treasury bills maturing within a period not exceeding ninety one days, marketable government securities that are held by a financial institution for trading purposes and uncommitted balances at banks outside Uganda withdrawable on demand and money at call outside Uganda after deducting the balances owed to banks outside Uganda.

### Compliance assessment for the Liquidity Coverage Ratio

| Stock of high-quality Liquid assets | Conversion Factor | 2024 Ushs'000 | 2024 Ushs'000 |
|---|---|---|---|
| Cash | 100% | 37,956,438 | 37,956,438 |
| Balances with BOU | 100% | 91,436,448 | 91,436,448 |
| Investment Securities maturing in 30 days | 100% | 13,986,799 | 13,986,799 |
| Marketable Securities Maturing in 91 days | 100% | - | - |
| Marketable Securities with maturity of more than 91 days | 20% | 2,713,432 | 542,687 |
| **Total Value of stock of highly liquid assets** | | **146,093,117** | **143,922,372** |
| | | | |
| **Cash outflows** | | | |
| Savings and demand deposits (maturing in 30 days) | 15% | 348,764,161 | 52,314,624 |
| Time deposits (maturing in 30 days) | 100% | 23,025,603 | 23,025,603 |
| Due to Financial institutions in Uganda (Maturing in 30 days) | 100% | 5,008,048 | 5,008,048 |
| Due to Financial institutions abroad (Maturing in 30 days) | 100% | 9,588,800 | 9,588,800 |
| Other liabilities (maturing in 30 days) | 100% | 18,132,229 | 18,132,229 |
| Off-balance sheet items | 5% | 3,342,193 | 167,110 |
| **Total cash outflows** | | **407,861,034** | **108,236,414** |
| | | | |
| **Cash Inflows** | | | |
| Loans and advances (maturing in 30 days) | 15% | 23,627,547 | 3,544,132 |
| Due from Financial institutions in Uganda (maturing in 30 days) | 100% | 22,378,868 | 22,378,868 |
| Due from Financial institutions abroad (maturing in 30 days) | 100% | 35,161,638 | 35,161,638 |
| **Total cash inflows** | | **81,168,053** | **61,084,638** |
| | | | |
| **Total cash net cash outflows = Total cash outflows minus min [total cash inflows,75% of gross outflows]** | | **326,692,981** | **47,151,776** |
| **Liquidity Coverage ratio = (Total Value of stock of high-quality liquid assets/net cash outflows)** | | | **305%** |
| **Prudential Requirement** | | | **100%** |

| Stock of high-quality Liquid assets | Conversion Factor | 2023 Ushs'000 | 2023 Ushs'000 |
|---|---|---|---|
| Cash | 100% | 29,408,940 | 29,408,940 |
| Balances with BOU | 100% | 126,839,456 | 126,839,456 |
| Investment Securities maturing in 30 days | 100% | 4,517,700 | 4,517,700 |
| Marketable Securities Maturing in 91 days | 100% | - | - |
| Marketable Securities with maturity of more than 91 days | 20% | 44,000,000 | 8,800,000 |
| **Total Value of stock of highly liquid assets** | | **204,766,096** | **169,566,096** |
| | | | |
| **Cash outflows** | | | |
| Savings and demand deposits (maturing in 30 days) | 15% | 427,133,501 | 64,070,025 |
| Time deposits (maturing in 30 days) | 100% | 21,534,747 | 21,534,747 |
| Due to Financial institutions in Uganda (Maturing in 30 days) | 100% | - | - |
| Due to Financial institutions abroad (Maturing in 30 days) | 100% | - | - |
| Other liabilities (maturing in 30 days) | 100% | 28,392,890 | 28,392,890 |
| Off-balance sheet items | 5% | 126,460 | 6,323 |
| **Total cash outflows** | | **477,187,598** | **114,003,985** |
| | | | |
| **Cash Inflows** | | | |
| Loans and advances (maturing in 30 days) | 15% | 44,910,482 | 6,736,572 |
| Due from Financial institutions in Uganda (maturing in 30 days) | 100% | 25,511,739 | 25,511,739 |
| Due from Financial institutions abroad (maturing in 30 days) | 100% | (2,155,152) | (2,155,152) |
| **Total cash inflows** | | **68,267,069** | **30,093,159** |
| | | | |
| **Total cash net cash outflows = Total cash outflows minus min [total cash inflows,75% of gross outflows]** | | **408,920,529** | **83,910,826** |
| **Liquidity Coverage ratio = (Total Value of stock of high-quality liquid assets/net cash outflows)** | | | **202%** |
| **Prudential Requirement** | | | **100%** |

(b) Liquidity risk (continued)

| 31 December 2024 | 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 | 129,392,887 | - | - | - | - | **129,392,887** |
| Deposits and balances due from banking institutions | 41,862,496 | 79,199,372 | 7,376,000 | - | - | **128,437,868** |
| Loans and advances to customers | 23,629,192 | 33,539,917 | 67,074,839 | 230,050,418 | 52,606,335 | **406,900,701** |
| Derivative financial assets | 47,806 | - | - | - | - | **47,806** |
| Government securities at Amortised cost | 9,150,000 | 3,012,700 | 49,552,841 | 141,421,973 | 64,741,900 | **267,879,414** |
| Government securities at FVTPL | 5,095,764 | 11,067,800 | 8,278,799 | 886,988 | 3,148,643 | **28,477,994** |
| Other assets | - | - | 18,300,518 | **-** | - | **18,300,518** |
| **At 31 December 2024** | **209,178,145** | **126,819,789** | **150,582,997** | **372,359,379** | **120,496,878** | **979,437,188** |
| | | | | | | |
| **LIABILITIES** | | | | | | |
| Deposits from customers | 299,988,559 | 221,398,525 | 236,031,847 | - | - | **757,418,931** |
| Deposits due to other banks | 14,027,698 | - | 78,193,141 | - | - | **92,220,839** |
| Other liabilities | 19,741,889 | - | - | - | - | **19,741,889** |
| Lease liabilities | 839,713 | 530,155 | 1,868,787 | 5,839,361 | 755,335 | **9,833,351** |
| Guarantees | 6,232,388 | 10,528,501 | 33,549,660 | **3,496,469** | - | **53,807,018** |
| **Loan commitments** | **2,978,237** | **10,187,163** | **7,468,200** | **-** | **-** | **20,633,600** |
| **At 31 December 2024** | **343,808,484** | **242,644,344** | **357,111,635** | **9,335,830** | **755,335** | **953,655,628** |
| **On balance sheet liquidity gap** | **(134,630,339)** | **(115,824,555)** | **(206,528,638)** | **363,023,549** | **119,741,543** | **25,781,560** |

| 31 December 2023 | 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 | 156,248,396 | - | - | - | - | **156,248,396** |
| Deposits and balances due from banking institutions | 76,477,492 | 19,107,562 | 77,179,927 | - | - | **172,764,981** |
| Loans and advances to customers | 47,997,961 | 14,758,011 | 44,070,976 | 170,428,198 | 61,965,978 | **339,221,124** |
| Derivative financial assets | 40,371 | - | - | - | - | **40,371** |
| Government securities at amortised cost | 10,406,287 | 1,894,308 | 55,079,911 | 130,961,827 | 17,677,474 | **216,019,807** |
| Government securities at FVTPL | - | - | 44,905,179 | - | - | **44,905,179** |
| Other assets | - | - | 2,953,403 | - | - | **2,953,403** |
| **At 31 December 2023** | **291,170,507** | **35,759,881** | **224,189,396** | **301,390,025** | **79,643,452** | **932,153,261** |
| | | | | | | |
| **LIABILITIES** | | | | | | |
| Deposits from customers | 236,329,334 | 213,193,170 | 242,932,261 | 4,000,161 | - | **696,454,926** |
| Other liabilities | 32,267,941 | - | - | - | - | **32,267,941** |
| Lease liabilities | 9,883,882 | - | - | - | - | **9,883,882** |
| Guarantees | 828,986 | 324,731 | 2,445,680 | 3,772,464 | 146,927 | **7,518,788** |
| Loan commitments | 315,171 | 3,972,985 | 39,978,218 | 966,061 | - | **45,232,435** |
| **At 31 December 2023** | **21,404,001** | **3,269,183** | **1,891,000** | **-** | **-** | **26,564,184** |
| **On balance sheet liquidity gap** | **301,029,315** | **220,760,069** | **287,247,159** | **8,738,686** | **146,927** | **817,922,156** |
| | **(9,858,808)** | **(185,000,188)** | **(63,057,763)** | **292,651,339** | **79,496,525** | **114,231,105** |

## (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 (refer to note 6 on fair value disclosures of financial assets measured at amortised cost with fixed 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 2024 | 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 | - | - | - | - | - | 129,392,887 | **129,392,887** |
| Deposits and balances due from banking institutions | 41,486,406 | 79,738,532 | 7,212,931 | - | - | - | **128,437,869** |
| Loans and advances to customers | 23,629,192 | 33,539,917 | 67,074,839 | 230,050,418 | 52,606,334 | - | **406,900,700** |
| Government securities at FVTPL | 5,095,764 | 11,067,800 | 8,278,799 | 886,988 | 3,148,643 | - | **28,477,994** |
| Government securities at amortised cost | 9,150,000 | 3,000,000 | 60,264,914 | 127,520,000 | 67,944,500 | - | **267,879,414** |
| Derivative financial assets | 47,806 | - | - | - | - | - | **47,806** |
| Other assets | - | - | - | - | - | 26,525,268 | **26,525,268** |
| **At 31 December 2024** | **79,313,404** | **124,178,449** | **146,095,047** | **357,893,418** | **124,263,466** | **155,918,155** | **987,661,939** |
| | | | | | | | |
| **LIABILITIES** | | | | | | | |
| Deposits from banks | 14,027,698 | - | 78,193,141 | - | - | - | **92,220,839** |
| Deposits from customers | 299,988,559 | 221,398,525 | 236,031,847 | - | - | - | **757,418,931** |
| Other liabilities | - | - | - | - | - | 19,741,889 | **19,741,889** |
| **At 31 December 2024** | **314,016,257** | **221,398,525** | **314,224,988** | **-** | **-** | **19,741,889** | **869,919,000** |
| | | | | | | | |
| **Interest rate gap** | **(234,702,853)** | **(97,220,076)** | **(168,129,941)** | **357,893,418** | **124,263,466** | **-** | **(17,895,986)** |

| 31 December 2023 | 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 | - | - | - | - | - | 156,248,396 | **156,248,396** |
| Deposits and balances due from banking institutions | 76,477,492 | 19,107,562 | 77,179,927 | - | - | - | **172,764,981** |
| Loans and advances to customers | 47,997,961 | 14,758,011 | 44,070,976 | 170,428,198 | 61,965,978 | - | **339,221,124** |
| Government securities at FVTPL | - | - | 44,905,179 | - | - | - | **44,905,179** |
| Government securities at amortised cost | 10,406,287 | 1,894,308 | 55,079,911 | 130,961,827 | 17,677,474 | - | **216,019,807** |
| Derivative financial assets | 40,371 | - | - | - | - | - | **40,371** |
| Other assets | - | - | - | - | - | 9,879,296 | **9,879,296** |
| **At 31 December 2023** | **134,922,111** | **35,759,881** | **221,235,993** | **301,390,025** | **79,643,452** | **166,127,692** | **939,079,154** |
| **LIABILITIES** | | | | | | | |
| Deposits from banks | 32,267,941 | - | - | - | - | - | **32,267,941** |
| Deposits from customers | 236,329,334 | 213,193,170 | 242,932,261 | 4,000,161 | - | - | **696,454,926** |
| Other liabilities | - | - | - | - | - | 9,883,882 | **9,883,882** |
| **At 31 December 2023** | **268,597,275** | **213,193,170** | **242,932,261** | **4,000,161** | **-** | **9,883,882** | **738,606,749** |
| **Interest rate gap** | **(133,675,164)** | **(177,433,289)** | **(21,696,268)** | **297,389,864** | **79,643,452** | **-** | **44,228,595** |

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

| 200 basis points | Profit or loss Increase/ decrease in basis points Ushs'000 | Equity net of tax Increase/ decrease in basis points Ushs'000 |
|---|---|---|
| 31 December 2024 | +/- 2,398,039 | +/-1,678,627 |
| **31 December 2023** | **+/-886,971** | **+/-620,880** |

Interest rate sensitivity has been computed as the difference between the interest bearing financial assets and 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 tables below analyse the foreign currencies which the Bank is exposed to as at 31 December 2024 and 31 December 2023.

| At 31 December 2024 | USD Ushs'000 | GBP Ushs'000 | Euro Ushs'000 | Total Ushs'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and balances with central banks | 46,842,693 | 1,368,537 | 1,062,704 | **49,273,934** |
| Deposits and balances due from banking institutions | 101,315,124 | 3,345,389 | 8,969,576 | **113,630,089** |
| Loans and advances to customers | 250,454,823 | - | 5,893,963 | **256,348,786** |
| **At 31 December 2024** | **398,612,640** | **4,713,926** | **15,926,243** | **419,252,809** |
| | | | | |
| Deposits from banks | 78,005,462 | 3,428 | 9,203,772 | **87,212,662** |
| Deposits from customers | 313,376,430 | 4,436,009 | 6,341,343 | **324,153,782** |
| Other liabilities | 3,773,393 | 7,266 | 4,527 | **3,785,186** |
| **At 31 December 2024** | **395,155,285** | **4,446,703** | **15,549,642** | **415,151,630** |
| | | | | |
| **Net position – 2024** | **3,457,355** | **267,223** | **376,601** | **4,101,179** |

| At 31 December 2023 | USD Ushs'000 | GBP Ushs'000 | Euro Ushs'000 | Total Ushs'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and balances with central banks | 12,442,648 | 1,755,367 | 2,023,203 | **16,221,218** |
| Deposits and balances due from banking institutions | 129,468,027 | 2,345,519 | 12,281,334 | **144,094,880** |
| Loans and advances to customers | 201,135,511 | - | - | **201,135,511** |
| **At 31 December 2023** | **343,046,186** | **4,100,886** | **14,304,537** | **361,451,609** |
| | | | | |
| **LIABILITIES** | | | | |
| Deposits from banks | 26,944,998 | - | 5,322,947 | 32,267,945 |
| Deposits from customers | 292,287,335 | 3,854,570 | 5,146,639 | 301,288,544 |
| Other liabilities | 4,432,734 | 12,045 | 4,499 | 4,449,278 |
| **At 31 December 2023** | **323,665,067** | **3,866,615** | **10,474,085** | **338,005,767** |
| **Net position – 2023** | **19,381,119** | **234,271** | **3,830,452** | **23,445,842** |

**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 2024 | Profit or loss strengthening weakening of currency Ushs'000 | Equity net of tax strengthening/ weakening of currency Ushs'000 |
|---|---|---|
| USD (± 2.5% movement) | +/-1,769,502 | +/-1,238,652 |
| GBP (± 2.5% movement) | +/-30,877 | +/-21,614 |
| EUR (± 2.5% movement) | +/-36,121 | +/-25,285 |
| | | |
| **At 31 December 2023** | **Profit or loss strengthening weakening of currency** Ushs'000 | **Equity net of tax strengthening/ weakening of currency** Ushs'000 |
| USD (± 2.5% movement) | +/- 484,528 | +/-339,170 |
| GBP (± 2.5% movement) | +/-5,857 | +/-4,100 |
| EUR (± 2.5% movement) | +/-95,761 | +/-67,033 |

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 has been reported above.

### Exchange Rates used in the 2024 for USD, GBP and EUR.

| | Average rates for the year | 2024 Year-end rates |
|---|---|---|
| Currency | Ushs | Ushs |
| USD | 3,757 | 3,688 |
| GBP | 4,801 | 4,622 |
| EUR | 4,066 | 3,833 |

**(d) Capital Management**

**Regulatory capital – Uganda**

The Financial Institutions Act Cap 57 laws 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 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:

- Tier 1 capital of not less than 10% plus a capital buffer of 2.5% of its total risk weighted assets, plus sum of risk weighted off-balance sheet items and market risk.
- Total capital of not less than 12% plus a capital buffer of 2.5% 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 Tier 1 capital 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 150 billion by 30 June 2024.
- To always have the minimum capital funds un-impaired by losses (Core Capital) not less than Ushs 150 billion by 30 June 2024.

As at 31 December 2024, the Bank was compliant with the minimum paid up cash capital and all other regulatory capital requirements. However the minimum capital funds unimpaired by losses was below the regulatory capital requirements as indicated below:

| i) Minimum paid-up capital requirement | 31 Dec 2024 Ushs' 000 | 31 Dec 2023 Ushs' 000 |
|---|---|---|
| Required | 150,000,000 | 120,000,000 |
| Available | 210,000,000 | 210,000,000 |
| **Surplus** | **60,000,000** | **90,000,000** |

| ii) Minimum Capital funds unimpaired by losses (core capital) | | |
|---|---|---|
| Required | 150,000,000 | 120,000,000 |
| Available | 134,057,816 | 134,852,109 |
| **(Deficit)/ Surplus** | **(15,942,184)** | **14,852,109** |

The Bank's minimum Capital Funds Unimpaired by Losses were impacted by an investment worth Ushs 15 billion in a new robust and versatile core banking system, aimed at enhancing our banking experience with more stability and new functionalities. The Bank has a capital restoration plan which will remediate the above capital shortfall as indicated below. This plan will be submitted to Bank of Uganda for approval in accordance with the relevant regulations.

**Capital Restoration Plan**

The Shareholders have reaffirmed their commitment to ensure the Bank's compliance with the minimum paid up capital requirement of Ushs 150 billion. In addition to the Shareholder commitment to inject additional Capital, the following measures are being implemented:

- Execution of strategic initiatives to enhance the Bank's performance and continue to organically grow the capital reserves with a projected profit before tax of Ushs 23 billion in 2025. This will be driven by targeted sector growth in our key segments (Corporate & SME) to grow our revenue by 32% year on year.
- Accelerate recoveries of significant bad debtors, with projected recoveries of approximately UShs 5.5 billion in 2025.

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 offered by sound capital position.

**iii) Going Concern Assessment**

During the year ended 31 December 2024, the bank reported a net profit of Ushs 20.27 billion (2023: Ushs 11.5 billion) and as of that date the bank was compliant with various regulatory capital requirements except for its Capital Funds Unimpaired by Losses of Ushs 134 billion which was below the minimum capital requirements of Ushs 150 billion. The bank has a capital restoration plan which will be submitted to Bank of Uganda for approval as indicated above and believe that this matter does not cause any uncertainty over the bank's ability to continue as a going concern.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2024 and 2023. During the year ended 31 December 2024, the Bank complied with the core capital ratio and the total capital ratio requirements to which it is subject.

| Tier 1 capital | Note | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|---|
| Share capital | 27(a) | 210,000,000 | 210,000,000 |
| Retained earninga/ (Accumalted losses) | | 6,653,580 | (11,487,182) |
| Less: Intangible assets | 19 | (17,687,371) | (3,875,160) |
| Less: Deferred income tax asset | 20 | (64,646,474) | (59,305,284) |
| Less: Unrealized foreign exchange gains | 10 | (261,919) | (480,265) |
| **Total qualifying Tier 1 capital** | | **134,057,816** | **134,852,109** |
| | | | |
| **Tier 2 capital** | | | |
| General provisions | 27(b) | 4,229,075 | 2,949,880 |
| **Total qualifying Tier 2 capital** | | **4,229,075** | **2,949,880** |
| **Total regulatory capital** | | **138,286,891** | **137,801,989** |
| | | | |
| **Risk-weighted assets:** | | | |
| On-balance sheet | | 496,445,656 | 398,656,027 |
| Off-balance sheet | | 71,753,614 | 59,928,066 |
| Counterparty credit risk exposures | | 37,852 | 18,230 |
| Market risk | | 29,909,198 | 11,527,671 |
| **Total risk-weighted assets** | | **598,146,320** | **470,129,994** |
| | | | |
| Core capital ratio | | 22.41& | 28.69% |
| **Total capital ratio** | | **23.12%** | **29.31%** |

The Bank's Tier 1 (core capital) and Tier 2 (total capital) are not less than 12.5% and 14.5% respectively, as required by the Financial Institutions Act 2004 (as amended).

| | | |
|---|---|---|
| Core capital | 134,057,816 | 134,852,109 |
| **Total on balance-sheet assets** | **1,098,001,112** | **944,481,984** |
| **Total off balance sheet** | **95,014,284** | **92,732,352** |

**Leverage ratio**

Leverage ratio is calculated as the core capital of the Bank divided by the total on balance sheet assets plus off-balance sheet exposure.

| | | |
|---|---|---|
| **Leverage ratio** | **11.24%** | **13.00%** |

| | Note | Nominal statement of financial position amounts | | Risk weight | Nominal statement of financial position amounts | |
|---|---|---|---|---|---|---|
| | | 2024 Ushs'000 | 2023 Ushs'000 | | 2024 Ushs'000 | 2023 Ushs'000 |
| **Balance sheet assets (net of provisions)** | | | | | | |
| Cash and balances with Central Bank | 15(a) | 129,392,887 | 156,248,396 | 0% | - | - |
| Deposits and balances due from banking institutions | 15(b) | 71,595,769 | 87,970,877 | 20% | 14,319,154 | 17,594,175 |
| Deposits and balances due from banking institutions outside Uganda, ratings as follows; | | | | | | |
| Rated AAA to AA (-) | 15(b) | 189,260 | 91,149 | 20% | 37,852 | 18,230 |
| Rated A (+) to A (-) | 15(b) | 55,378,362 | 69,825,916 | 50% | 27,689,181 | 34,912,958 |
| Rated A (-) to non-rated | 15(b) | 1,891,869 | 11,463,200 | 100% | 1,891,869 | 11,463,200 |
| Government securities at Amortised cost | 17(a) | 267,879,414 | 174,597,940 | 0% | - | - |
| Government securities at FVTPL | 17(b) | 28,477,994 | 40,665,772 | 0% | - | - |
| Loans and advances to customers | 16(a) | 397,976,680 | 294,988,022 | 100% | 397,976,680 | 294,988,022 |
| Right of use | 21 | 10,066,191 | 7,289,664 | 100% | 10,066,191 | 7,289,664 |
| Deferred tax asset | 20 | 64,646,151 | 59,305,284 | 0% | - | - |
| Property and equipment | 18 | 17,939,461 | 22,510,482 | 100% | 17,939,461 | 22,510,482 |
| Intangible Assets | 19 | 17,687,371 | 3,875,160 | 0% | - | - |
| Other assets | 22 | 25,525,268 | 9,879,296 | 100% | 26,525,268 | 9,879,296 |
| **Total assets** | | **1,089,647,000** | **938,711,158** | | **496,445,656** | **398,656,027** |
| **Off-balance sheet positions** | | | | | | |
| Performance bonds | | 5,314,057 | 1,245,550 | 50% | 2,657,029 | 622,775 |
| Guarantees | | 48,492,962 | 43,977,886 | 100% | 48,492,962 | 43,977,886 |
| Letters of credit | | 20,633,580 | 24,874,034 | 50% | 10,316,790 | 4,974,807 |
| Foreign currency contracts | | - | 1,929,685 | 0% | - | - |
| Unutilised commitments | | 20,573,666 | 20,705,197 | 50% | 10,286,833 | 10,352,599 |
| | | **95,014,265** | **92,732,352** | | **71,753,614** | **59,928,067** |

| Counterparty | Nominal statement of financial position amounts | | Risk weight | Risk weighted amounts | |
|---|---|---|---|---|---|
| | 2024<br>Ushs'000 | 2023<br>Ushs'000 | | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
| Government of Uganda and Bank of Uganda | - | - | 0% | - | - |
| Rated AAA to AA (-) and banks in Uganda | 189,260 | 91,149 | 20% | 37,852 | 18,230 |
| Rated A (+) to A (-) | - | - | 50% | - | - |
| Rated A (-) and non-rated | - | - | 100% | - | - |
| **Total risk weighted CCR exposures** | **189,260** | **91,149** | | **37,852** | **18,230** |
| Interest rate risk | 142,715 | 284,645 | 8.33 | 1,188,816 | 2,371,093 |
| Foreign exchange risk | 3,447,825 | 1,099,229 | 8.33 | 28,720,382 | 9,156,578 |
| **Market risk** | **3,590,540** | **1,383,874** | | **29,909,198** | **11,527,671** |
| **Total risk-weighted assets** | **1,188,441,065** | **1,072,070,542** | | **630,914,188** | **509,282,004** |

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

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| Gross loans and advances | 416,259,346 | 301,700,256 |
| Less Interest Suspended | (716,487) | (2,409,602) |
| Less Specific Provisions | (17,566,179) | (4,302,632) |
| **Net loans and advances** | **397,976,680** | **294,988,022** |

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

| | | |
|---|---|---|
| Net loans and advances (FIA) | 412,896,962 | 294,988,022 |
| Add: Specific Provisions | 2,645,897 | 4,302,632 |
| Add: Written back loans (Written off under FIA but not yet written off under IFRS) | 14,197,616 | 33,211,666 |
| Add: Stage 3 interest income accrual (IFRS) | 1,004,073 | 1,637,711 |
| **Gross loans and advances (IFRS) - Note 16(a)** | **430,744,548** | **334,140,031** |
| Less: Impairment provision | (19,662,409) | (29,758,998) |
| Less: Modification loss on restructured loans | (700,008) | (580,548) |
| Less: Staff discount | (3,481,430) | (2,831,960) |
| | **406,900,701** | **300,986,525** |

## 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 for the past few years and has 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.

### FAIR VALUE HEIRARCHY

The Bank measures 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.

The fair value of short term financial instruments has been approximated to the carrying amount.

The fair values for long term financial instruments have been determined as follows:

- **Loans and advances to customers** – Loans and advances to customers – the fair value was determined using the average commercial lending rate of the banking industry published by the Bank of Uganda
- **Government securities** –the fair value was determined based on the yields published by Bank of Uganda.
- **Derivatives** – the bank applies the futures and forward valuation and swap valuation methods for obtaining fair valuation of derivatives. The value of the forward contract is the difference between the spot price of the underlying asset and the forward price discounted by risk-free rate.

## 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 2024 | Carrying amounts | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | **Financial assets and liabilities at amortised cost** 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 | 129,392,887 | - | - | **129,392,887** | - | 129,392,887 | - | **129,392,887** |
| Loans and advances to banks | 128,437,868 | - | - | **128,437,868** | - | 128,437,868 | - | **128,437,868** |
| Loans and advances to customers | 406,900,701 | - | - | **406,900,701** | - | 358,006,070 | - | **358,006,070** |
| Financial assets at fair value through profit or loss (FVTPL) | - | 28,477,994 | - | **28,477,994** | - | 28,477,994 | - | **28,477,994** |
| Government Securities at amortised cost | 267,879,414 | - | - | **267,879,414** | - | 249,145,486 | - | **249,145,486** |
| Other assets | 18,300,518 | - | - | 18,300,518 | - | - | 18,300,518 | **18,300,518** |
| **Financial liabilities** | | | | | | | | |
| Deposits from banks | 92,220,839 | - | - | 92,220,839 | - | - | 92,220,839 | 92,220,839 |
| Deposits from customers | 757,418,931 | - | - | **757,418,931** | - | - | 757,418,931 | **757,418,931** |
| Other liabilities | 19,741,889 | - | - | **19,741,889** | - | - | 19,741,889 | **19,741,889** |

| | Carrying amounts | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| **31 December 2023** | **Financial assets and liabilities at amortised cost** 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 | 156,248,396 | - | - | **156,248,396** | - | 156,248,396 | - | **156,248,396** |
| Loans and advances to banks | 169,083,093 | - | - | **169,083,093** | - | 169,083,093 | - | **169,083,093** |
| Loans and advances to customers | 300,837,620 | - | - | **300,837,620** | - | 264,687,905 | - | **264,687,905** |
| Financial assets at fair value through profit or loss (FVTPL) | - | 40,665,772 | - | **40,665,772** | - | 40,665,772 | - | **40,665,772** |
| Government Securities at amortised cost | 174,597,940 | - | - | **174,597,940** | - | 171,080,210 | - | **171,080,210** |
| Other assets | 2,953,403 | - | - | **2,953,403** | - | - | 2,953,403 | **2,953,403** |
| **Financial liabilities** | | | | | | | | |
| Deposits from banks | 32,267,941 | - | - | 32,267,941 | - | - | 32,267,941 | 32,267,941 |
| Deposits from customers | 687,764,744 | - | - | **687,764,744** | - | - | 687,764,744 | **687,764,744** |
| Other liabilities | 18,848,296 | - | - | **18,848,296** | - | - | 18,848,296 | **18,848,296** |

## 7. INTEREST INCOME

Interest income calculated under the effective interest method.

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| Loans and advances to customers | 51,050,471 | 39,578,345 |
| Loans and advances to banks | 8,130,457 | 9,006,890 |
| Investment securities - at amortised cost | 38,623,402 | 27,053,147 |
| | **97,804,330** | **75,638,382** |

## 8. INTEREST EXPENSE

| INTEREST EXPENSE | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| Deposits from banks | 2,358,351 | 1,567,356 |
| Deposits from customers | 38,626,095 | 21,772,982 |
| Lease liabilities (Note 26) | 528,385 | 487,728 |
| | **41,512,831** | **23,828,066** |

Interest income and interest expense are calculated using the effective interest method and arise from financial instruments measured at amortised cost.

## 9. NET FEE AND COMMISSION INCOME

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| **(a) Fee and commission income** | | |
| Commissions | 6,395,708 | 7,077,689 |
| Service fees | 7,047,968 | 4,826,915 |
| **Total** | **13,443,676** | **11,904,604** |
| **b) Fees and commission expense** | | |
| Interbank transaction fees | (39,336) | (86,338) |
| **Net fee and commission income** | **13,404,340** | **11,818,266** |

**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.

Fees and commission income and expense arise from financial assets and financial liabilities that are not at fair value through profit and loss, or those that are included in the effective interest rate that exactly discounts the estimated future cash payments through the expected life of the financial asset or the financial liability.

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.<br>Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the bank. | |

**10.NET TRADING INCOME**

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| Income from foreign exchange dealings | 5,759,208 | 5,889,191 |
| Unrealised foreign exchange gains | 261,919 | 480,265 |
| Net income /(loss) on financial assets at fair value through profit or loss (FVTPL) | 910,806 | (359,652) |
| | **6,931,933** | **6,009,804** |

| **11.OTHER OPERATING INCOME** | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| Loss on sale of property and equipment | (9,424) | (5,203) |
| Loss on lease disposal | (74,900) | (1,524) |
| Other income | 11,816,707 | 1,902,972 |
| | **11,732,383** | **1,896,245** |

Other income comprises of recoveries on bad debts written off (2024: Ushs 11.8 billion, 2023: Ushs 1.78 billion) and recoveries of long outstanding e-banking transactions previously written off (2024: Nil, 2023 Ushs 128 million).

## 12. OPERATING EXPENSES

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| **(a) Staff costs** | | |
| Salaries and wages | 18,921,729 | 16,356,264 |
| Defined contribution plan | 3,857,867 | 2,870,184 |
| Other staff costs | 3,380,182 | 2,235,766 |
| | **26,159,778** | **21,462,214** |

Defined Contribution plans; Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognized as personnel expenses in profit or loss. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available

| Average number of employees in the bank | 2024 | 2023 |
|---|---|---|
| Management | 14 | 12 |
| Others | 305 | 289 |
| | **319** | **301** |

**(b) Premises and equipment costs**

| | | |
|---|---|---|
| Utilities | 1,326,683 | 643,029 |
| Other premises and equipment costs | 9,625,316 | 7,494,064 |
| | **10,951,999** | **8,137,093** |

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

**(c) General administrative expenses**

| | | |
|---|---|---|
| Deposit protection insurance contribution | 2,580,383 | 2,106,254 |
| Other general administrative expenses | 20,877,970 | 18,194,521 |
| | **23,458,353** | **20,300,775** |

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

**(d) Depreciation and Amortisation**

| | | |
|---|---|---|
| Depreciation of property and equipment (Note 18) | 3,564,000 | 1,575,408 |
| Amortisation of intangible assets (Note 19) | 2,388,000 | 1,457,410 |
| Depreciation of right of use asset (Note 21) | 3,259,231 | 3,092,432 |
| **Total** | **9,211,231** | **6,125,250** |

## 13. PROFIT BEFORE INCOME TAX

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| **Profit before income tax is arrived at after charging:** | | |
| Depreciation of property and equipment | 3,564,000 | 1,575,408 |
| Depreciation of right of use | 3,259,231 | 3,092,432 |
| Amortisation of intangible assets | 2,401,981 | 1,457,410 |
| Directors' emoluments: fees | 934,166 | 702,881 |
| Directors' emoluments: other | 2,612,168 | 1,138,874 |
| Auditor's remuneration | 294,570 | 197,611 |
| Loss on sale of property and equipment | 9,424 | 5,203 |
| | **13,075,540** | **8,169,819** |

## 14. INCOME TAX CREDIT/ (CHARGE)

### (a) Income tax credit

| Current tax | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| WHT on government securities | (4,596,950) | (4,440,762) |
| **Deferred tax (Note 20)** | - | - |
| Current year | 5,341,191 | 4,436,215 |
| Regulatory tax assesment | (436,540) | - |
| **Income tax credit/ (charge)** | **307,701** | **(4,547)** |

Regulatory tax assessment relates to taxes paid as a result of the URA audit conducted during the year to determine whether any omissions occurred during interpretation, declaration and timeliness of filings for the period January 2018 to December 2023.

Tax paid for the period was Ushs 5,033,490 (2023: Ushs 4,440,762).

**(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 (%) | 2024 Ushs'000 | Effective tax rate (%) | 2023 Ushs'000 |
|---|---|---|---|---|
| **Accounting loss before tax** | | **19,965,905** | | **11,511,700** |
| Computed tax using the applicable corporation tax rate at 30% (2023 -30%) | 30 | (5,989,771) | 30 | (3,453,510) |
| Income not taxable | 57.3 | 11,330,183 | 68.54 | 7,889,725 |
| Regulatory tax audit assesment | 2.2 | (436,540) | - | - |
| Prior year adjustment on deferred tax | - | 456 | - | - |
| Final tax on government securities | 29.04 | (4,596,950) | 38.58 | (4,440,762) |
| | **3.94** | **307,701** | **0.04** | **(4,547)** |

## 15. CASH AND CASH EQUIVALENTS

### a) Cash balances with the Central bank

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| | | |
| Cash on hand | 37,956,438 | 29,408,940 |
| **Balances with central banks:** | | |
| Restricted balances (Cash reserve ratio) | 9,143,645 | 12,683,946 |
| • Unrestricted balances | 82,292,804 | 114,155,510 |
| | **129,392,887** | **156,248,396** |

The Bank's Cash Reserve is non-interest earning and is based on the value of deposits as adjusted by Bank of Uganda. At 31 December 2024, the cash requirement was 9.5% (2023: 9.5%) 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

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| Balances due from other banking institutions | 35,161,638 | 6,183,710 |
| Placements with other banks | 93,893,622 | 163,167,432 |
| **Gross deposits and balances due from banking institutions** | **129,055,260** | **169,351,142** |
| Less Expected Credit Losses (Note 17(c)(ii)) | (569,586) | (227,677) |
| Less: Derivative (Note 17(a)(i)) | (47,806) | (40,372) |
| **Net deposits and balances due from banking institutions** | **128,437,868** | **169,083,093** |

All cash and cash equivalents are due within 12 months except for restricted balances that are subject to the regulatory cash reserve ratio requirement.

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

| BANK NAME | Ratings | 2024 Ushs'000 | 2023 Ushs'000 | Movement Ushs'000 |
|---|---|---|---|---|
| Stanbic Bank (U) Ltd | B+ | 18,990,886 | 19,565,811 | (574,925) |
| ABSA Bank Uganda | Non rated | 7,390,752 | 18,965,756 | (11,575,004) |
| Bank One Mauritius | A+ | 3,773,644 | 11,875,480 | (8,101,836) |
| Centenary Bank Ltd | Non rated | 15,161,778 | 15,667,565 | (505,787) |
| I&M Bank Tanzania | A- | - | 7,836,304 | (7,836,304) |
| NCBA Bank Uganda Limited | Non rated | - | 481,458 | (481,458) |
| Indusind Bank Mumbai | AA- | 189,260 | 91,149 | 98,111 |
| First Rand Bank Ltd | Non rated | 137,360 | 94,461 | 42,899 |
| I&M Bank Kenya Ltd | A- | 1,754,510 | 25,335,574 | (23,581,064) |
| Standard Bank of South Africa | A+ | 18,524,209 | 18,996,356 | (472,147) |
| Standard Chartered Bank Uganda | Non rated | 7,667,872 | 8,260,007 | (592,135) |
| Standard Chartered Bank NY | A+ | 2,017,440 | 3,250,426 | (1,232,986) |
| Standard Chartered Bank Frankfurt | A+ | - | 559,276 | (559,276) |
| Standard Chartered Bank Tokyo | A+ | 71,821 | 108,439 | (36,618) |
| Standard Chartered Bank UK | A+ | 500,725 | - | 500,725 |
| Citibank UK | A+ | 30,490,524 | 1,864,061 | 28,626,463 |
| I&M Bank Rwanda Ltd | B+ | - | 11,368,739 | (11,368,739) |
| United Bank Of Africa | Non rated | 7,379,585 | 5,004,315 | 2,375,270 |
| Diamond Trust Bank (U) Ltd | Non rated | 7,002,284 | 10,010,897 | (3,008,613) |
| Post Bank Ltd | Non rated | 8,002,610 | - | 8,002,610 |
| Bank Of Africa Uganda Ltd | Non rated | - | 10,015,068 | (10,015,068) |
| **Sub total** | | **129,055,260** | **169,351,142** | **(40,295,882)** |
| **ECL Charge** | | **(569,586)** | **(227,677)** | **(341,909)** |
| Derivative | | (47,806) | (40,372) | (7,434) |
| **Total** | | **128,437,868** | **169,083,093** | **(40,645,225)** |

### 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.

| | 2024<br>Ushs'00 | 2023<br>Ushs'000 |
|---|---|---|
| Cash and balances with central bank | 129,392,887 | 156,248,396 |
| Restricted balances (Cash reserve) | (9,143,645) | (12,683,946) |
| Deposits and balances due from banking institutions (15b) | 128,437,868 | 169,083,093 |
| | **248,687,110** | **312,647,543** |

## 16. LOANS AND ADVANCES TO CUSTOMERS

### (a) Classification

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| Overdrafts | 49,631,533 | 51,569,644 |
| Loans | 381,113,015 | 282,570,387 |
| **Gross loans and advances** | **430,744,548** | **334,140,031** |
| Less: Expected credit losses on loans and advances (note 17(c)(ii)) | (19,662,409) | (29,758,998) |
| Modification loss on restructured loans | (700,008) | (580,548) |
| Discount on staff loans | (3,481,430) | (2,813,960) |
| **Net loans and advances** | **406,900,701** | **300,986,525** |

Based on the remaining contractual period, loans and advances to customers are expected to be settled as follows:

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| Within 12 months | 130,480,024 | 101,745,855 |
| After 12 months | 300,264,524 | 232,394,176 |
| Total | 430,744,548 | 334,140,031 |

### (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).

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| Interest on impaired loans and advances which has not yet been received in cash | **716,487** | **750,607** |

## 16. LOANS AND ADVANCES TO CUSTOMERS (continued)

### (b) Loans and advances concentration by sector

Loans and advances concentration by sector for the year ended 31 December 2024

| Sectors | Gross carrying amount Ushs'000 | ECL allowance Ushs'000 | Modification loss Ushs'000 | Discount staff loans Ushs'000 | Carrying amount Ushs'000 | % |
|---|---|---|---|---|---|---|
| Agriculture | 16,200,740 | 174 | | - | 16,172,566 | 4% |
| Building & Construction | 145,626,815 | 14,926,042 | (183,852) | - | 130,476,770 | 32% |
| Business Services | 65,014,182 | 41,318 | - | - | 64,972,864 | 16% |
| Community, Social and Other Services | 6,135,891 | 19 | - | - | 6,135,872 | 1% |
| Manufacturing | 18,311,653 | 92 | 37,867 | - | 18,283,561 | 5% |
| Mining and Quarrying | 13,946,099 | - | - | - | 13,925,099 | 3% |
| Personal Loans and House-hold Loans | 75,027,561 | 3,829,966 | - | 3,481,430 | 67,598,165 | 17% |
| Trade | 86,919,242 | 862,979 | 9,615 | - | 85,901,262 | 21% |
| Transport and Communication | 3,562,364 | 1,819 | 836,378 | - | 3,553,542 | 1% |
| **Total** | **430,744,548** | **19,662,409** | **700,008** | **3,481,430** | **406,900,701** | |

| Sectors | Gross carrying amount Ushs'000 | ECL allowance Ushs'000 | Modification loss Ushs'000 | Discount staff loans Ushs'000 | Carrying amount Ushs'000 | % |
|---|---|---|---|---|---|---|
| Agriculture | 14,651,087 | 79 | - | - | 14,651,008 | 4.4 |
| Building & Construction | 18,980,770 | 965 | 409,952 | - | 18,979,805 | 5.7 |
| Business Services | 40,037,855 | 22,690 | - | - | 39,945,499 | 12 |
| Community, Social and Other Services | 7,835,557 | - | - | - | 7,822,204 | 2.3 |
| Hotels and Restaurants | 26,719,777 | 5,390 | - | - | 26,667,943 | 8 |
| Manufacturing | 47,296,449 | - | 28,498 | - | 47,214,011 | 14.2 |
| Mining and Quarrying | 2,271,721 | - | - | - | 2,267,657 | 0.7 |
| Personal Loans and Household Loans | 57,425,825 | 2,550,935 | 6,236 | 2,813,960 | 51,961,076 | 17.2 |
| Real Estate | 9,835,163 | - | - | - | 9,818,327 | 2.9 |
| Trade | 101,806,088 | 26,211,527 | 135,862 | - | 75,417,494 | 30.5 |
| Transport and Communi-cation | 7,279,739 | 967,412 | - | - | 6,300,135 | 2.2 |
| **Total** | **334,140,031** | **29,758,998** | **580,548** | **2,813,960** | **300,986,525** | |

## 16. LOANS AND ADVANCES TO CUSTOMERS (continued)

**Loans and advances concentration by sector (FIA) for the year ended 31 December 2024**

| Sector | Outstanding amount | Specific Provision amount |
|---|---:|---:|
| Agriculture | 16,200,740 | - |
| Building & Construction | 35,317,643 | - |
| Business Services | 65,014,182 | - |
| Mining and Quarrying | 13,946,099 | - |
| Community, Social and Other Services | 6,135,891 | - |
| Hotels and Restaurants | 11,427,471 | - |
| Manufacturing | 18,311,653 | - |
| Personal Loans and Household Loans | 75,265,723 | 819,001 |
| Real Estate | 95,512,889 | 680,356 |
| Trade | 75,564,691 | 1,146,540 |
| Transport and Communication | 3,562,364 | - |
| **Total** | **416,259,346** | **2,645,897** |

**Loans and advances concentration by sector (FIA) for the year ended 31 December 2023**

| Sector | Outstanding amount | Specific Provision amount |
|---|---:|---:|
| Agriculture | 14,264,402 | - |
| Building & Construction | 3,926,687 | - |
| Building, Mortgage, Construction and Real Estate | 23,137,737 | 657,368 |
| Business Services | 34,084,840 | 6,127 |
| Community, Social and Other Services | 7,835,557 | - |
| Hotels and Restaurants | 12,078,144 | - |
| Manufacturing | 42,486,912 | - |
| Personal Loans and Household Loans | 60,926,925 | 620,121 |
| Real Estate | 1,587,224 | - |
| Trade | 94,091,179 | 1,614,052 |
| Transport and Communication | 7,280,649 | 1,404,964 |
| **Total** | **301,700,256** | **4,302,632** |

## 17. FINANCIAL ASSETS

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

### i. Derivative assets

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| i. Derivative assets | 47,806 | 40,372 |
| | **47,806** | **40,372** |

Derivatives held for trading are generally related to products that the bank provides to its customers, i.e foreign exchange swaps and forwards. 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. These are exercisable within a period not exceeding 12 months from the reporting date. The bank applies the futures and forward valuation and swap valuation methods for obtaining fair valuation of derivatives. The value of the forward contract is the difference between the spot price of the underlying asset and the forward price discounted by risk-free rate.

| **31 December 2024** | **National amount**<br>Ushs'000 | **Derivative asset**<br>Ushs'000 |
|---|---|---|
| Derivative assets | 4,121,970 | 47,806 |
| | **4,121,970** | **47,806** |

| **31 December 2023** | | |
|---|---|---|
| Derivative assets | 38,307,141 | 40,372 |
| | **38,307,141** | **40,372** |

| **ii. Government Securities at FVTPL** | | |
|---|---|---|
| | **2024**<br>Ushs'000 | **2023**<br>Ushs'000 |
| Government securities – FVTPL | 29,928,447 | 44,000,000 |
| Government securities unearned interest | (1,450,453) | (3,334,228) |
| | **28,477,994** | **40,665,772** |

| **(b) Financial assets at amortised cost**<br><br>**i. Government securities at amortised cost** | | |
|---|---|---|
| Treasury bills maturing within 91 days of the date of acquisition | - | - |
| Treasury bills maturing after 91 days of the date of acquisition | 24,660,395 | 16,097,887 |
| Treasury bonds | 243,237,644 | 159,136,209 |
| **Gross financial assets at amortised cost** | **267,898,039** | **175,234,096** |
| Less Expected Credit Losses (Note 17(c)(i)) | (18,625) | (636,156) |
| **Net financial assets at amortised cost** | **267,879,414** | **174,597,940** |

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 31 December 2024 was 10.96% (2023: 13.9%).

The table below illustrates the expected settlement pattern based on the remaining contractual period from the reporting date:

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---:|---:|
| Within 12 months | 63,901,249 | 67,321,501 |
| After 12 months | 203,996,790 | 107,912,595 |
| **Total** | **267,898,039** | **175,234,096** |

**FINANCIAL ASSETS (continued)**

**(c) Expected credit losses on financial assets**

i. Movement in expected credit losses on financial assets (P&L)

| | **2024**<br>Ushs'000 | **2023**<br>Ushs'000 |
|---|---:|---:|
| Deposits and balances due from other banking institutions | (341,909) | 464,275 |
| Government securities | 617,531 | (121,394) |
| Off balance sheet items | (118,432) | (18,610) |
| Loans and advances | (556,429) | (3,493,438) |
| Direct write-offs/ (write backs) | 1,905,811 | (287,285) |
| Modification gains | (119,460) | (541,147) |
| | **1,387,112** | **(3,997,599)** |

ii. Movement in ECL during the period

| | **As at 1 January 2024**<br>Ushs'000 | **Movement during the year**<br>Ushs'000 | **Direct Write offs**<br>Ushs'000 | **Modification gains**<br>Ushs'000 | **P&L Effect**<br>Ushs'000 | **Impairment write-offs**<br>Ushs'000 | **As at 31 December 2024**<br>Ushs'000 |
|---|---:|---:|---:|---:|---:|---:|---:|
| Government securities (note 17b) | (636,156) | 617,531 | - | - | 617,531 | - | **(18,625)** |
| Off balance sheet contingencies and commitments (note 26) | (68,449) | (118,432) | - | - | (118,432) | - | **(186,881)** |
| Loans and advances (note 16a) | (29,758,998) | (556,429) | - | - | (556,429) | 10,653,018 | **(19,662,409)** |
| Deposits and balances due from other banking institutions (note 15b) | (227,677) | (341,909) | - | - | (341,909) | - | **(569,586)** |
| Direct write-offs | (287,285) | - | 1,905,811 | - | 1,905,811 | - | **1,618,526** |
| Modification gains | (580,548) | - | - | (119,460) | (119,460) | - | **(700,008)** |
| | **(31,559,113)** | **(399,239)** | **1,905,811** | **(119,460)** | **1,387,112** | **10,653,018** | **(19,518,983)** |

The transition matrix, which estimates the probability of an asset migrating between different credit stages, serves as a key tool in assessing the credit risk of financial instruments by tracking changes in credit quality over time. To enhance the accuracy of expected credit loss (ECL) calculations, the Bank has applied a 2% transition matrix rate for Government of Uganda (GOU) securities and a 5% rate for sovereign securities. These conservative assumptions further mitigate credit risk exposure, leading to a reduction in the overall expected credit loss.

## 17. FINANCIAL ASSETS (continued)

### (c) Expected Credit losses on financial assets (continued)

### ii. Movement in ECL during the period (continued)

| | As at 1 January 2023 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 2023 Ushs'000 |
|---|---|---|---|---|---|---|---|
| Government securities (note 17b) | (514,762) | (121,394) | - | - | **(121,394)** | - | **(636,156)** |
| Off balance sheet contingencies and commitments (note 28) | (49,839) | (18,610) | - | - | **(18,610)** | - | **(68,449)** |
| Loans and advances (note 16a) | (28,116,206) | (3,493,438) | - | - | **(3,493,438)** | 1,850,646 | **(29,758,998)** |
| Deposits and balances due from other banking institutions (note 15b) | (691,952) | 464,275 | - | - | **464,275** | - | **(227,677)** |
| Direct write-offs of loans and advances | - | - | (287,285) | - | **(287,285)** | - | **(287,285)** |
| Modification gains | (39,401) | - | - | 541,147 | (541,147) | - | **(580,548)** |
| | **(29,412,160)** | **(3,169,167)** | **(287,285)** | **541,147** | **(3,997,599)** | **1,850,646** | **(31,559,113)** |

## 18. PROPERTY AND EQUIPMENT

| | 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** | | | | | | |
| At 1 January | 6,989,396 | 5,964,964 | 11,216,949 | 1,075,203 | 13,357,961 | 38,604,473 |
| Additions | 215,467 | 690,225 | 1,380,601 | - | 12,679,316 | 14,965,609 |
| Transfer of WIP | 2,137,705 | 26,864 | 4,999,905 | - | (7,164,474) | - |
| Reclassification to intangible assets (note 19) | - | - | - | - | (15,824,700) | (15,824,700) |
| Reclassification through profit or loss (note 12b) | - | - | - | - | (42,480) | (42,480) |
| Reclassification from property and equipment | - | - | (156,875) | - | - | (156,875) |
| Other reclassifications | 2,490 | 1,499 | (18,374) | 447 | - | (13,938) |
| Disposals | (246,271) | (785,158) | (1,251,077) | - | - | (2,282,506) |
| **At 31 December** | **9,098,787** | **5,898,394** | **16,171,129** | **1,075,650** | **3,005,623** | **35,249,583** |
| Depreciation | | | | | | |
| At 1 January | 2,462,050 | 4,251,820 | 8,418,017 | 962,104 | - | 16,093,991 |
| Charge for the year | 771,581 | 417,383 | 2,316,028 | 59,008 | - | 3,564,000 |
| Eliminated on disposal | (229,062) | (746,386) | (1,251,058) | - | - | (2,226,506) |
| Reclassification from property and equipment | - | - | (156,875) | - | - | (156,875) |
| Other reclassifications | 35,905 | 2,098 | (2,491) | - | - | 35,512 |
| **At 31 December** | **3,040,474** | **3,924,915** | **9,323,621** | **1,021,112** | **-** | **17,310,122** |
| **Net book value at 31 December** | **6,058,313** | **1,973,479** | **6,847,508** | **54,538** | **3,005,623** | **17,939,461** |

## 19. PROPERTY AND EQUIPMENT 2023

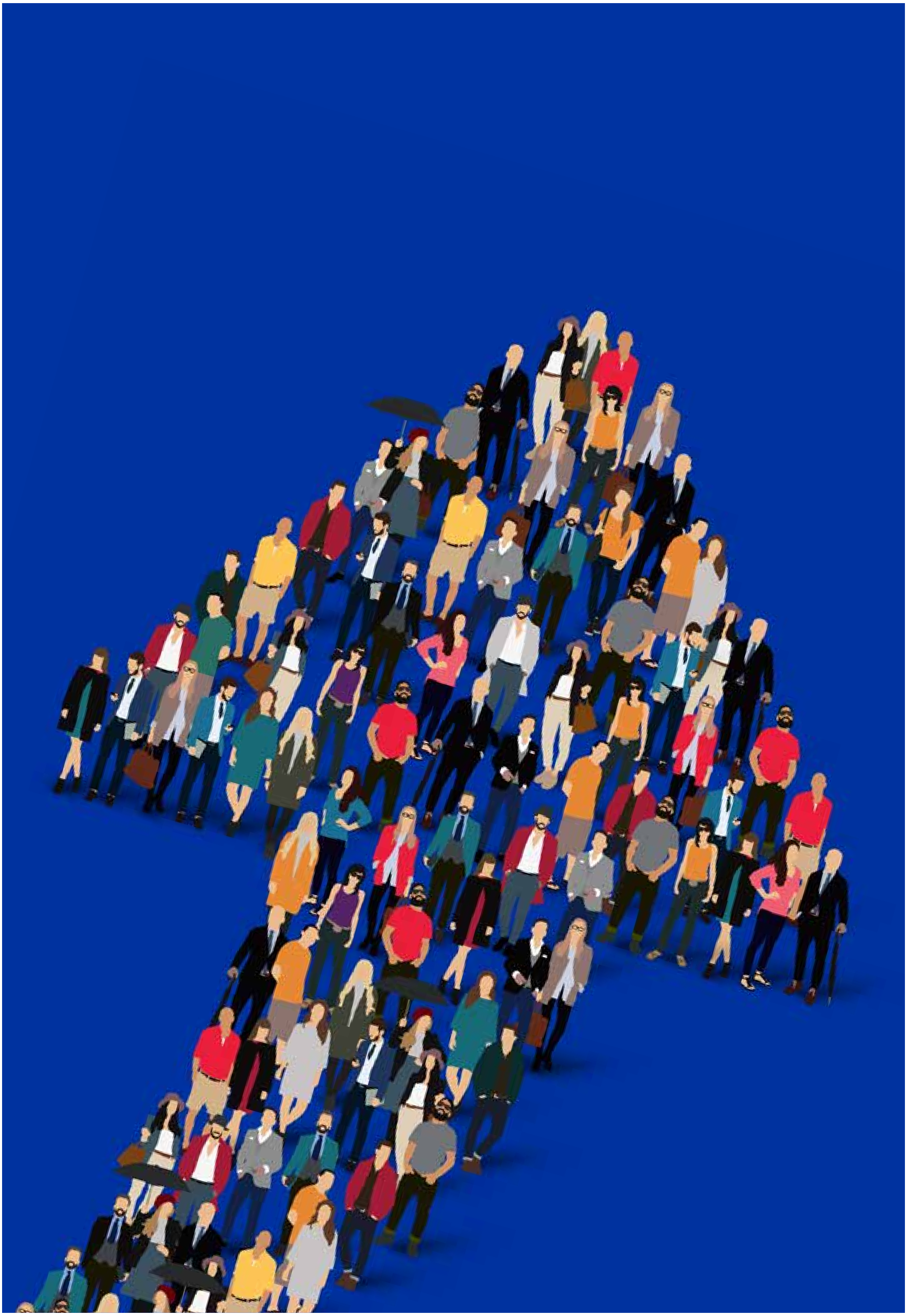
| | Leasehold improvements Ushs'000 | Furniture, fittings, fixtures, and office equipment Ushs'000 | Computers Ushs'000 | Motor vehicles Ushs'000 | Capital work in progress Ushs'000 | Total Ushs'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January | 3,956,042 | 6,292,574 | 9,400,712 | 1,075,203 | 4,651,353 | 25,375,884 |
| Additions | 3,081,376 | 1,189,805 | 1,335,090 | - | 10,210,581 | 15,816,852 |
| Transfer of WIP | - | - | 1,318,296 | - | (1,318,296) | - |
| Reclassification to intangible assets(note 19) | - | - | - | - | (50,070) | (50,070) |
| Reclassification through profit or loss (note 12b) | | | | | (135,607) | (135,607) |
| Disposals | (48,022) | (1,517,415) | (837,149) | - | - | (2,402,586) |
| **At 31 December** | **6,989,396** | **5,964,964** | **11,216,949** | **1,075,203** | **13,357,961** | **38,604,473** |
| Depreciation | | | | | | |
| At 1 January | 2,001,964 | 5,265,940 | 8,647,367 | 903,683 | - | 16,818,954 |
| Charge for the year | 474,699 | 433,503 | 607,786 | 59,420 | - | 1,575,408 |
| Eliminated on disposal | (48,022) | (1,447,623) | (837,136) | - | - | (2,332,781) |
| Write off | 33,409 | - | - | (999) | - | 32,410 |
| **At 31 December** | **2,462,050** | **4,251,820** | **8,418,017** | **962,104** | - | **16,093,991** |
| **Net book value at 31 December** | **4,527,346** | **1,713,144** | **2,798,932** | **113,099** | **13,357,961** | **22,510,482** |

## 19. INTANGIBLE ASSETS-SOFTWARE

| 2024 | Computer Software Ushs'000 | Total Ushs'000 |
|---|---|---|
| **Cost** | | |
| At 1 January | **26,723,643** | **26,723,643** |
| Additions | 375,511 | 375,511 |
| Transfer from work-in-progress | 15,824,700 | 15,824,700 |
| Reclassification from property and equipment | 156,875 | 156,875 |
| **At 31 December** | **43,080,729** | **43,080,729** |
| | | |
| **Amortisation** | | |
| At 1 January | 22,848,483 | 22,848,483 |
| Amortisation for the year | 2,388,000 | 2,388,000 |
| Reclassification from property and equipment | 156,875 | 156,875 |
| **At 31 December** | **25,393,358** | **25,393,358** |
| **Carrying amount at 31 December** | **17,687,371** | **17,687,371** |
| | | |
| **2023:** | | |
| **Cost** | | |
| **At 1 January** | **24,033,787** | **24,033,787** |
| Additions | 2,639,786 | 2,639,786 |
| Transfer from work-in-progress | 50,070 | 50,070 |
| **At 31 December** | **26,723,643** | **26,723,643** |
| | | |
| **Amortisation** | | |
| **At 1 January** | **21,391,073** | **21,391,073** |
| Amortisation for the year | 1,457,410 | 1,457,410 |
| **At 31 December** | **22,848,483** | **22,848,483** |
| **Carrying amount at 31 December** | **3,875,160** | **3,875,160** |

During the year ended 31 December 2024, the Bank completed the development of Finacle Core Banking System, Finacle Treasury system and the Digital Enhancement Program (DEH) amounting to Ushs 14.9 billion recognized under the bank's intangible assets.

On 17 December 2024, I&M Bank Uganda Limited and I&M Group PLC entered into an agreement for the repayment and transfer of the costs incurred to develop Finacle Core Banking system, Finacle Treasury system and the Digital Enhancement Program (DEH). The transfer will take effect upon the completion of the Special Economic Zone (SEZ) entity, which is being established to support the Group's existing and future subsidiaries by enhancing operational efficiencies and driving competitive advantages. The transfer is expected to be finalised by 30 November 2025.



## 20.DEFERRED TAX ASSETS

Deferred tax assets at 31 December 2024 and 31 December 2023 are attributable to the following:

| 2024 | Balance at 1 January Ushs'000 | Prior year under provision Ushs'000 | Charge to Profit or Loss Ushs'000 | Balance at 31 December Ushs'000 |
|---|---|---|---|---|
| Property and equipment, intangible assets ( including right of use assets) | (13,966) | - | 808,343 | 794,376 |
| Lease liability | (56,767) | (456) | (464,881) | (522,104) |
| Short term timing differences* | (9,786,326) | (324) | 1,660,458 | (8,126,192) |
| Tax losses | (49,448,225) | - | (7,334,331) | (56,792,556) |
| | **(59,305,284)** | **(780)** | **(5,340,411)** | **(64,646,474)** |

| 2023: | Balance at 1 January Ushs'000 | Prior year under provision Ushs'000 | Charge to Profit or Loss Ushs'000 | Balance at 31 December Ushs'000 |
|---|---|---|---|---|
| Property and equipment, intangible assets (including right of use assets) | (803,293) | - | 789,327 | (13,966) |
| Lease liability | (44,319) | - | (12,449) | (56,767) |
| Short term timing differences* | (6,187,998) | - | (3,598,328) | (9,786,326) |
| Tax losses | (47,833,459) | - | (1,614,766) | (49,448,225) |
| | **(54,869,069)** | **-** | **(4,436,215)** | **(59,305,284)** |

*Short term timing differences includes movements on impairment provisions on loans and advances to customers, legal provisions, leave provision, staff incentive provision, provision for fraud and provision for deposit insurance premium. Deferred tax assets are non-current assets.

## 21. RIGHT OF USE ASSET

| Cost | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| Balance at 1 January | 14,451,761 | 10,346,565 |
| Additions | 7,043,929 | 9,450,482 |
| Disposal | (6,651,160) | (5,345,286) |
| **Balance at 31 December** | **14,844,530)** | **14,451,761** |
| | | |
| **Accumulated depreciation** | | |
| At 1 January | 7,162,097 | 5,209,476 |
| Charge for the year | 3,259,231 | 3,092,432 |
| Disposals | (5,642,989) | (1,139,811) |
| **At 31 December** | **4,778,339** | **7,162,097** |
| | **10,066,191** | **7,289,664** |

## 22. OTHER ASSETS

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| Prepayments | 8,224,750 | 6,925,893 |
| Other receivables | 18,300,518 | 2,953,403 |
| | **26,525,268** | **9,879,296** |

The carrying amount of other assets approximate to their fair value.

## 23. DEPOSITS FROM CUSTOMERS

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| Demand deposits | 348,768,187 | 328,067,982 |
| Saving deposits | 104,095,706 | 109,412,802 |
| Time deposits | 304,555,038 | 250,283,960 |
| | **757,418,931** | **687,764,744** |

The weighted average effective interest rate on deposits from customers is 5.23% (2023: 3.73%)
The table below shows the expected settlement based on remaining contractual period from the reporting date.

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| Within 12 months | 754,786,394 | 683,794,203 |
| After 12 months | 2,632,537 | 3,970,541 |
| **Total** | **757,418,931** | **687,764,744** |

## 24. DEPOSITS DUE TO OTHER BANKS

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| I&M Bank Tanzania Ltd | 3,691,688 | - |
| Exim Bank (U) Ltd | 5,008,160 | - |
| Equity Bank (U) Ltd | 3,451,414 | - |
| Bank of Africa (U) Ltd | 5,754,450 | - |
| Bank One Mauritius | 36,928,367 | - |
| I&M Bank Rwanda Ltd | 9,627,365 | - |
| Citibank New York | - | 26,781,185 |
| Citibank UK | - | 5,363,315 |
| I&M Bank Kenya Ltd | 27,759,395 | 123,441 |
| | **92,220,839** | **32,267,941** |

## 25. OTHER LIABILITIES

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| Provisions and accruals | 380,192 | 5,458,238 |
| Other accounts payables | 19,174,816 | 13,249,233 |
| ECL on off balance sheet items | 186,881 | 68,449 |
| | **19,741,889** | **18,775,920** |

ECL on off balance sheet items represents impairment allowance for loan commitments and financial guarantee contracts. Other liabilities are due for settlement in less than 12 months.

### 26. 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**

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| Balance at 1 January | 7,160,561 | 4,989,361 |
| Additions | 7,043,928 | 9,450,482 |
| Disposal | (933,271) | (4,203,951) |
| Interest expense | 528,385 | 487,728 |
| Foreign exchange loss/ (gain) | 40 | (16,756) |
| Lease payments | (3,966,292) | (3,546,303) |
| **Balance at 31 December** | **9,833,351** | **7,160,561** |

**The following is an analysis between the current and non-current portions of the leases**

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| **Current** | 3,120,402 | 3,599,397 |
| **Non-current** | 6,712,949 | 3,561,164 |
| **Total** | **9,833,351** | **7,160,561** |

**(b) Amount recognized in profit or loss**

| | | |
|---|---|---|
| Interest on lease liabilities | 528,385 | 487,728 |
| Depreciation of right to use asset (Note 21) | 3,013,569 | 3,096,432 |
| | **3,541,954** | **3,584,160** |

**(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 | 3,437,907 | 3,058,575 |
| Interest paid on lease liabilities | 528,385 | 487,728 |
| **Total** | **3,966,292** | **3,546,303** |

(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.

## 27. SHARE CAPITAL AND RESERVES

### (a) Share capital

| | 2024<br>Ushs'000 | 2023<br>Ushs'000 |
|---|---|---|
| **Authorised** | | |
| 1 January and 31 December | **210,000,000** | **210,000,000** |
| **Issued and fully paid** | | |
| 1 January and 31 December | **210,000,000** | **210,000,000** |

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.

| **2024** | Number of shares<br>Ushs'000 | Ordinary share capital<br>Ushs'000 |
|---|---|---|
| At the start of the year | 210,000 | 210,000,000 |
| Conversion of preference shares to ordinary shares | - | - |
| Issue of Ordinary shares | - | - |
| **At end of year** | **210,000** | **210,000,000** |

| **2023** | Number of shares<br>Ushs'000 | Ordinary share capital<br>Ushs'000 |
|---|---|---|
| At the start of the year | 150,000 | 150,000,000 |
| Conversion of preference shares to ordinary shares | 9,500 | 9,500,000 |
| Issue of Ordinary shares | 50,500 | 50,500,000 |
| **At end of year** | **210,000** | **210,000,000** |

The major shareholders at 31 December 2023 were as follows:

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | % | Number of shares<br>Ushs'000 | Share Capital<br>Ushs'000 | % | Number of shares<br>Ushs'000 | Share Capital<br>Ushs'000 |
| I&M Group Plc | 79.29 | 166,500 | 166,500,000 | 90 | 135,000 | 135,000,000 |
| Ketan Morjaria | 4.85 | 10,175 | 10,175,000 | 5.5 | 8,250 | 8,250,000 |
| Alemayehu Fisseha | 3.96 | 8,325 | 8,325,000 | 4.5 | 6,750 | 6,750,000 |
| ShoreCap III LP | 11.90 | 25,000 | 25,000,000 | - | - | - |
| Conversion of preference shares to ordinary shares | - | - | - | - | 9,500 | 9,500,000 |
| Additional unalloted share capital from existing share holders | - | - | - | - | 50,500 | 50,500,000 |
| | 100 | **210,000** | **210,000,000** | 100 | **210,000** | **210,000,000** |

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

| | Number of shares '000' 1/01/2024 | Transfer of shares to I&M Group '000' | Additional shares acquired during the year '000' | Number of shares '000' 31/12/2024 |
|---|---|---|---|---|
| I&M Group Plc | 135,000 | - | 31,500 | 166,500 |
| Ketan Morjaria | 8,250 | - | 1,925 | 10,175 |
| Alemayehu Fisseha | 6,750 | - | 1,575 | 8,325 |
| ShoreCap III LP | - | 25,000 | - | 25,000 |
| Conversion of preference shares to ordinary shares | 9,500 | (9,500) | - | - |
| Unalloted additional shares | 50,500 | (50,500) | - | - |
| | **210,000** | **(35,000)** | **35,000** | **210,000** |

| **(b) Statutory credit risk reserve** | | |
|---|---|---|
| | 2024 | 2023 |
| **Provisions as per Bank of Uganda guidelines** | | |
| FIA Specific provisions | 17,566,179 | 4,302,632 |
| FIA General provisions | 4,229,075 | 2,949,964 |
| | **21,795,254** | **7,252,596** |
| **Provisions as per IFRS guidelines (Note 17)** | | |
| Stage 1 | 1,821,240 | 918,846 |
| Stage 2 | 200,164 | 200,174 |
| Stage 3 | 17,641,005 | 28,639,978 |
| **Total** | **19,662,409** | **29,758,998** |
| **Statutory credit risk reserve** | **2,132,845** | **-** |

As at 31 December 2024, the regulatory reserve was Ushs Nil (2023-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 Accounting Standards. The reserve is not distributable.

## 28. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS

### (a) Legal proceedings

There were a number of legal proceedings outstanding against the Bank at 31 December 2024. Provisions of up to Ushs 856 million (2023: Ushs 915 million) have been made as professional advice indicates. This has been recognised under other liabilities (note 25).

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

| OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS | 2024 Ushs '000 | 2023 Ushs '000 |
|---|---|---|
| **Opening balance as at 1st January** | **915,135** | **1,198,548** |
| Payments | - | (362,831) |
| (Reduction)/ Increase in provisions | (58,598) | 79,418 |
| **Closing balance as at 31st December** | **856,537** | **915,135** |

### (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:

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| **Contingencies related to:** | | |
| Letters of credit | 20,633,560 | 26,564,184 |
| Guarantees | 53,807,059 | 43,977,886 |
| Performance bonds | - | 1,254,550 |
| Other credit commitments | 20,573,665 | 17,072,352 |
| | **95,014,284** | **88,868,972** |
| **Commitments related to:** | | |
| Outstanding spot/forward contracts | 47,806 | 40,372 |
| | **95,062,090** | **88,909,344** |

Guarantees are generally written by a bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default.

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

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The bank expects most acceptances to be presented and reimbursement by the customer is almost immediate.

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

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

## 29. 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. The ultimate controlling party is I&M Group PLC with a 90% shareholding 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**

**(a) Transactions with related companies**

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---:|---:|
| **i) Overdrafts/Commitments to related companies** | | |
| Prime General supply | 2,737,600 | 2,756,400 |
| Afri Properties | 737,600 | 756,400 |
| | **3,475,200** | **3,512,800** |

As at 31 December 2024, Prime General and Afri properties had unutilized 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%

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---:|---:|
| **ii) Interest Income from loans to related companies** | | |
| Prime General supply | - | 11,578 |
| Afri Properties | - | - |
| | **-** | **11,578** |

**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 total capital.

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| **iii) Deposits from related companies** | | |
| Stat pack (U) Ltd | 11,460,082 | 11,425,340 |
| GA Insurance | 3,769,026 | 4,746,091 |
| Afri Properties Ltd | 37,620 | 33,298 |
| Mark Development Co Ltd | 135,727 | 796,477 |
| Morka Group Ltd | 138,236 | 140,674 |
| Equity Stockbrokers (U) Ltd | 613,618 | 493,833 |
| | **16,154,309** | **17,635,713** |

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.

| | 2024 Ushs'000 | 2023 Ushs'000 |
|---|---|---|
| **iv) Interest expense on deposits from related companies** | | |
| Stat pack (U) Ltd | 219,448 | 182,466 |
| GA Insurance | 434,781 | 471,826 |
| | **654,229** | **654,292** |
| | | |
| **(b) Management fees received** | **926,376** | **141,724** |
| **(c) Key Management compensation (short term)** | **8,020,974** | **6,299,213** |

**(e) Transactions with top management-Staff loans**

| 2024 | NAMES | Amount Ushs'000 | Interest rate | Status |
|---|---|---|---|---|
| | Charles Kiirya | 310,303 | 10% | Performing |
| | Timothy Musiime | 504,000 | 10% | Performing |
| | Nadia Mindra | 105,111 | 8% | Performing |
| | Edward Gibson Nangono | 510,000 | 9% | Performing |
| | Joseph Biryahwaho | 520,874 | 10% | Performing |
| | **Total** | **1,950,288** | | |

| 2023 | NAMES | Amount Ushs'000 | Interest rate | Status |
|---|---|---|---|---|
| | Charles Kiirya | 342,025 | 8% | Performing |
| | Oscar Karamagi | 21,751 | 10% | Performing |
| | Joseph Fetaa | 170,173 | 8% | Performing |
| | Edward Gibson Nangono | 275,451 | 8% | Performing |
| | Joseph Biryahwaho | 25,880 | 10% | Performing |
| | **Total** | **835,280** | | |

## 30. 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.

**30. OTHER DISCLOSURES (Continued)**

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.

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**(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.

**31. CONTINGENT LIABILITY**

No provision has been recognised in these financial statements as the directors do not consider any probable loss will arise.

**32. SUBSEQUENT EVENTS**

There were no events after the end of the reporting period and up to the date of signing these financial statements requiring disclosure that would impact the financial reporting and results of operations as of and for the year ended 31 December 2024.

I&M Bank (Uganda) Limited
Kingdom Kampala, Nile Avenue
P.O.Box 3072, Kampala, Uganda.

Tel: +256 417 719400
Email: info@imbank.co.ug
www.imbankgroup.com/ug