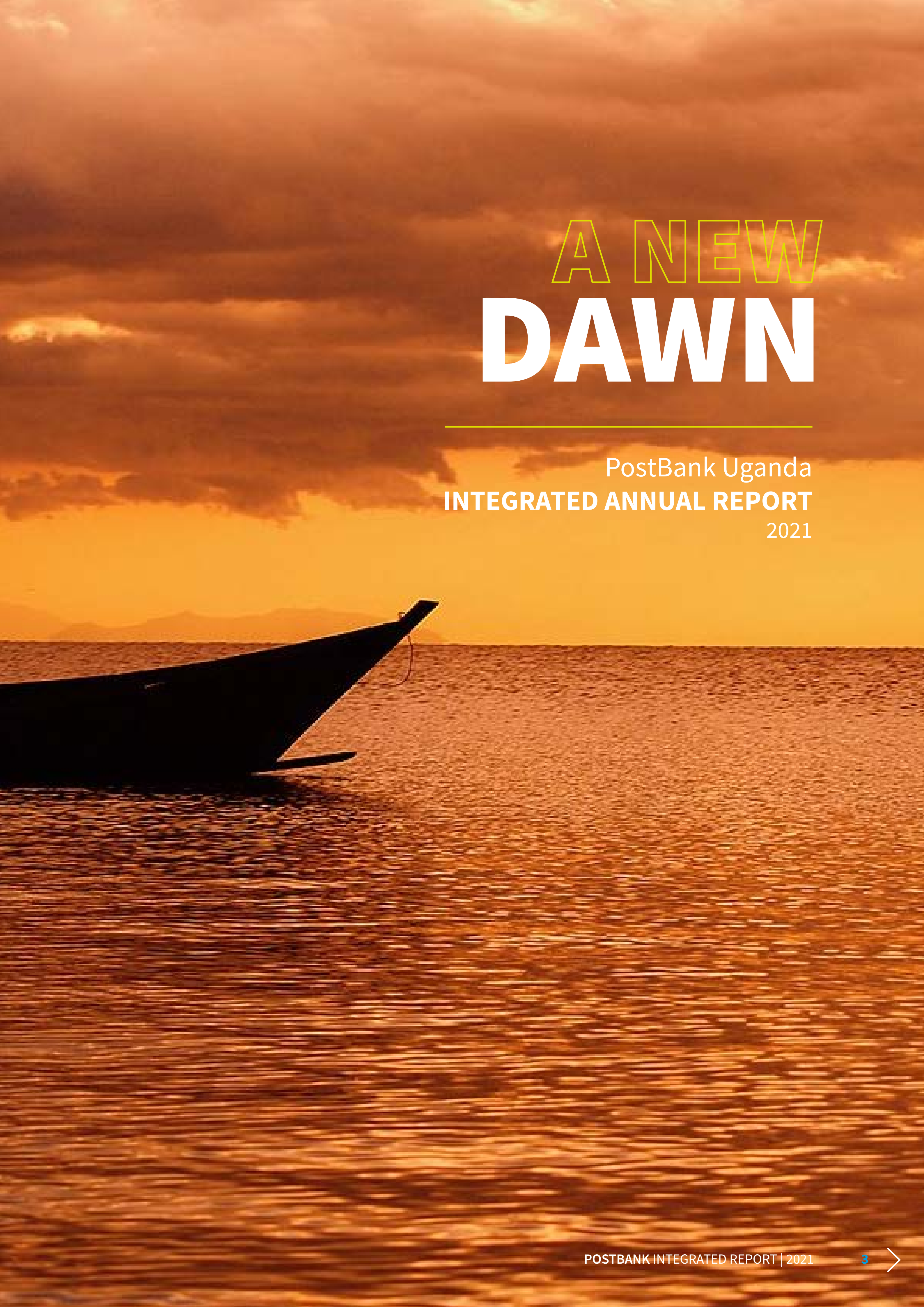
A NEW DAWN

2021
INTEGRATED ANNUAL REPORT

PostBank
EMPOWERING YOU



A NEW DAWN

PostBank Uganda

INTEGRATED ANNUAL REPORT

2021

OUR THEME.

A NEW DAWN
at PostBank Uganda.

In January 2020, we started on a journey to review, change and reorganize our business. This meant a change in strategic direction to become a pace setter in transforming lives and livelihoods of Ugandans through affordable and sustainable financial services.

This integrated report [IR] is our opportunity to share our strategic progress to date, as well as how we are transforming our business to ensure we remain relevant to our stakeholders beyond where we are today.

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NAVIGATE OUR REPORT.

Throughout our report, the following icons are used to show the connectivity between sections.

OUR CAPITALS.

FC	Financial capital.
MC	Manufactured capital.
HC	Human Capital.
SRC	Social and relationship Capital.
IC	Intellectual Capital.
NC	Natural Capital.

OUR STRATEGIC PILLARS.

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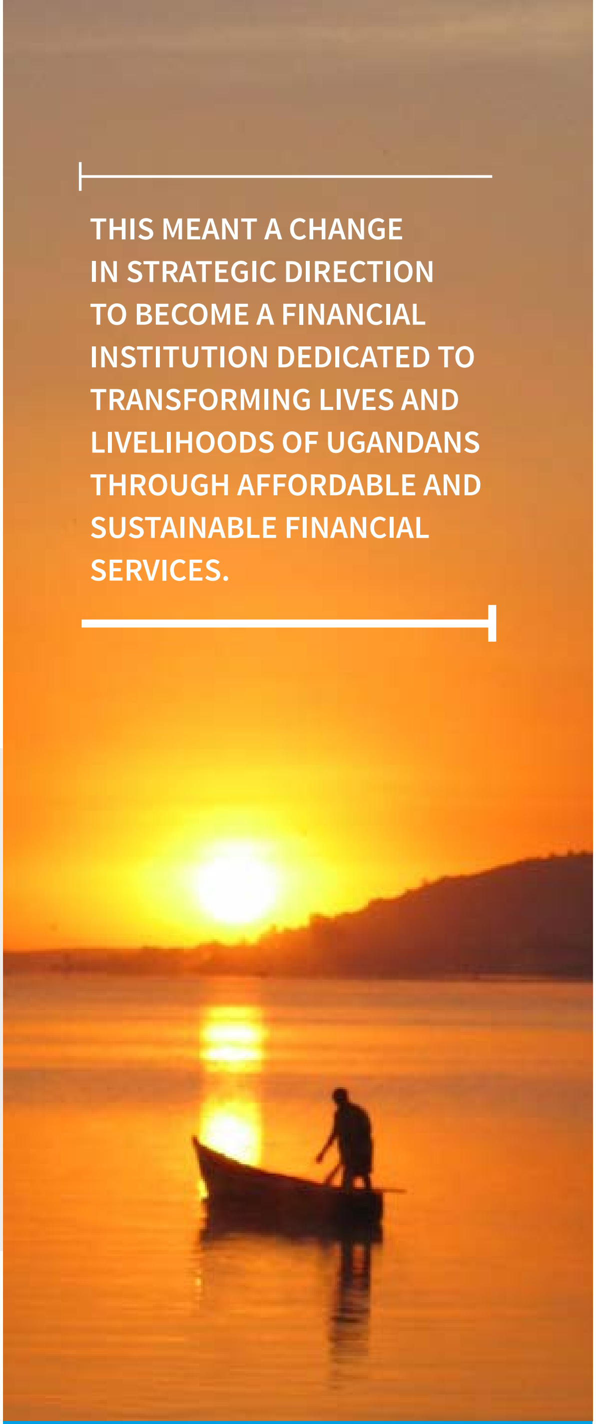


THIS MEANT A CHANGE IN STRATEGIC DIRECTION TO BECOME A FINANCIAL INSTITUTION DEDICATED TO TRANSFORMING LIVES AND LIVELIHOODS OF UGANDANS THROUGH AFFORDABLE AND SUSTAINABLE FINANCIAL SERVICES.

POSTBANK UGANDA's PRIMARY UN SDGs.

1 NO POVERTY	No poverty.
3 GOOD HEALTH AND WELL-BEING	Good Health and Well – Being.
5 GENDER EQUALITY	Gender Equality.
8 DECENT WORK AND ECONOMIC GROWTH	Decent work and economic growth.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Industry, innovation, & infrastructure.
17 PARTNERSHIPS FOR THE GOALS	Partnerships for the Goals.

1

INTRODUCTION.

ABOUT **OUR REPORT.**

This is our opportunity to share our strategic progress to date, as well as how we are transforming our business to ensure we remain relevant to our customers and key stakeholders.

Our reporting frameworks.

Our reporting is in compliance with and has applied the following frameworks:

- International Integrated Reporting (IR) Framework.
- Financial Institutions Act 2004, as amended (FIA.)
- Financial Institutions (amendment) Act 2016.
- UN Sustainable Development Goals (SDGs).
- International Financial Reporting Standards (IFRS).
- Companies Act, 2012.
- King IV Code of Corporate Governance.

Forward-Looking Statements.

This report contains certain forward-looking statements about PostBank's financial position, results, operations and businesses. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, all forward looking statements have not been reviewed or reported on by the bank's external auditors.

Integrated thinking.

Our approach to embedding integrated thinking in our bunsiness is continuous and takes into account the relationship between capitals that we use or affect and the potential trade-offs inherent in our strategic choices. Integrated thinking leads to integrated decision making and actions that consider the creation of value over the short, medium and long time. We strive to reflect the value created and preserved as well as the value eroded.

Boundary and scope.

Our integrated reporting boundary covers the risks, opportunities and outcomes arising from our:

Operating context.	See page 54
Business model, including affordability and availability of capitals.	See page 22
Strategy.	See page 59
FC MC HC SRC IC NC Use of and impact on the six capitals.	See page 22
Stakeholder engagements.	See page 44

This report covers the performance of Post Bank Uganda Limited for the year ended 31 December 2021. We have used the top risks and opportunities arising from our operating context and stakeholder relationships as key in determining which material matters to report on.

Materiality.

This report aims to disclose information about matters that substantively affect our ability to create value in the short, medium and long term. We discuss our materiality determination process on page 10 of this report.

Board responsibility statement.

The Board acknowledges its responsibility of ensuring the integrity of this integrated report, which in the Board's opinion addresses all the issues that are material to PostBank Uganda Limited's ability to create value and presents the integrated performance of the bank fairly.

OUR **MATERIAL MATTERS.**

These are matters that substantively affect our ability to create value over the short, medium, and long term.

In delivering our strategy, we apply integrated thinking to identify those matters that may influence our ability to create value in the short, medium, and long term. These matters inform our strategy to manage the risks and maximize the opportunities that present themselves.

Our materiality process - Defining what matters most to internal and external stakeholders.

We identify what matters most to our business using the following process:

	Identify	Prioritize	Integrate
	How we do it: We consider their effect on our strategy, governance, performance, and prospects.	**How we do it:** The magnitude of a matter determines our focus.	**How we do it:** We cascade our strategic priorities throughout business.
PROCESS	We analyze our business context, our operating environment, the resources we rely on (the six capitals), as well the feedback received from our stakeholders (internal and external), to assess matters that could have financial, reputational, operational, environmental, social, strategic or regulatory significance. We consider those matters that could impact our business in the short, medium and long term, as well as actual events that have taken place.	We use the outcomes of this analysis and the key risks and opportunities identified to prioritize those matters that are most material to our ability to create sustained value in the short, medium and long term (as depicted in the materiality matrix - see page 11). Based on the material impacts identified, we derive our focus areas.	We integrate our material matters into our strategy by contextualizing them into our five strategic pillars which guide our approach to the strategic choices we make in our business. Performance against the strategy is tracked by setting clearly identified key performance indicators (KPIs) that are cascaded throughout the bank to deliver on the strategic priorities.
INPUTS	• Industry trends and market trends • External stakeholder engagement • Customer feedback. • Government policy • Internal consultations and engagements.	• Senior management deliberation. • Approval from the Board and appropriate governance structures.	• Board-determined strategic direction. • Senior management specific action drivers. • Renumeration based on KPIs derived from strategy.

Our materiality themes - the outcomes of our materiality process.

Following the prioritization of our material matters, we identified five major trends in the financial services industry (forces that have potential to transform our business) that stood out as broader themes under which our material matters could be classified.

IT innovation & digitization in the banking industry.

Covid pandemic and its impact on the bank and the business environment.

Heighted demand on governance and regulatory context.

Demographic shifts and the growing demands of a youthful population for quick and reliable self-service channels.

Workforce capabilities & work methods.

Prioritisation of our material matters.

For more information on our materiality themes, please see our operating context (page 54 - 56).

HOW WE **CREATE VALUE.**

Value for us means meeting our stakeholder goals through the strategic choices we make in our business.

We create value through following an integrated business approach that delivers value for;

- PostBank Uganda Limited itself, which enables a strong, stable and financially self-sustaining parastatal for our shareholder - the Goververnment of Uganda.
- Our stakeholders and society at large. We are a truly Ugandan business, fully invested in contributing to the development of the Republic of Uganda through provision of sustainable financial services.

1. We assess our context.

Operating context.	see page 54
Trends such as commercial and social-economic realities faced by Ugandan businesses & individuals, COVID-19, competing stakeholder expectations, complex competitive forces and regulatory pressures form the dynamic environment that informs our value creation process.	
Stakeholder relationships.	see page 44
We strive to manage our resources and relationships responsibly in what we do and how we do it, to deliver the best outcomes for our clients, our people, our shareholder and other stakeholders. This enables us to prioritize what each key stakeholder values most and what value PostBank Uganda Limited strives to create from each relationship in return.	
Risks and Opportunities.	see page 49
We identify and derive our key risks and opportunities from the context of our five year strategy, our business model and operating environment.	

3. We integrate our strategy into our business model. (see page 22 - 23)

Business Strategy. (see page 63)
We make strategic choices that enable us offer affordable and sustainable financial services that drive financial inclusion for socio economic development in the Ugandan context.

Our decision-making approach is driven by five strategic priorities/pillars that ensure we create value for our key stakeholders. They are critical levers that affect our ability to create value in the short, medium and long term.

- Performance
- Governance & Risk
- Technology
- People
- Service

Business model. (see page 22)
We seek to manage our activities and their impacts to ensure we remain relevant to our key stakeholders and deliver value.

Our **primary goal** is to be a pace setter in economically transforming lives and livelihoods.

Our **mission** is to offer affordable and sustainable financial services that drive financial inclusion for socio economic development in Uganda.

Stakeholder goals. (see page 35)

Customers:	**Employees:**	**Regulators:**	**Government of Uganda:**	**Development partners:**	**Suppliers:**	**Society:**
Creating economic prosperity for our customers through our differentiated financial services.	Employer of choice. Enabling our people develop professionally through winning teams.	Exemplary governance and ethics in everything we do.	Expand financial inclusion.	Transparent, accountable, and timely implementation of projects.	Source of business opportunity and growth.	Responsible community participant.

We aim to deliver broader societal value through our commitment to the United Nations Sustainable Development Goals (UN SDGs) & contribute to Uganda Government's National Development plan (III).

1 NO POVERTY | 3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 17 PARTNERSHIPS FOR THE GOALS

These areas are underpinned by the six capitals that we use or affect. MC FC HC SRC IC NC

2. We consider our material matters. (see page 10 & 11)

We take a holistic approach to identify those matters that could influence our ability to create value in the short, medium and long term. These matters inform our strategy to manage the risks and maximise the opportunities that present themselves.

During our materiality review, we identified five trends arising from our prioritized matters. Collectively, these are grouped into five themes that represent the mega trends we need to consider in our operating context

Our Materiality themes

(See Page 11)

WE OFFER AFFORDABLE AND SUSTAINABLE FINANCIAL SERVICES THAT DRIVE FINANCIAL INCLUSION FOR SOCIAL ECONOMIC DEVELOPMENT.

2

WHO WE ARE.

WHO WE ARE.

OUR VISION
To be a pace setter in economically transforming lives and livelihoods.

OUR MISSION
We offer affordable and sustainable financial services that drive financial inclusion for social economic development.

OUR PROMISE
To be a market leader in financial inclusion.

POSTBANK **AT A GLANCE.**

1998
year founded.

1,045
Permanent employees.

Kampala - Uganda
Headquarters.

57
ATMs.

50
branches.

6
Contact centres.

414
Post Agents.

OUR VALUES.

Passion
We go the extra mile to help both internal and external customers.

Integrity
Behaving with high ethical standards.

100%
owned by Government of Uganda.

Ushs 144.5bn
Gross Revenue
(2020: Ushs 119 Billion).

Ushs 12.2bn
Profit after Tax
(2020: Ushs 10.1Billion).

14
“bank on wheels” Mobile vans.

495,000
active customers.

Market leader
in Agric Financing.

Over
2,500
shared Agents on Agency Banking Company.

24/7
Customer call centre.
(Include helpline)

Teamwork
Encouraging partnerships between our businesses - building a One Bank Culture.

Innovation
Continuously seeking ways of working more efficiently and quickly.

Our strategic Intent
A people’s bank that aspires to be a market leader in financial inclusion.

THE **INPUTS WE RELY ON.**

Our Capitals

Our relevance today and in the future and our ability to create long-term value are interrelated and fundamentally dependent on the forms of capital available to us (inputs), how we use those (value-adding activities), our impact on them and the value we deliver (outputs and outcomes). This report illustrates how we utilize the following capital resources to create value for all our stakeholders.

FC

Financial Capital

Our shareholders' equity, borrowings from development banks and clients that support our business and operational activities including credit extension. We aim at a balanced funding mix and solid equity position to support operations and business activities of taking deposits and lending.

IC

Intellectual Capital

The intangibles associated with the Postbank Uganda brand. Our protocols that position us to impact our financial inclusion goals.

HC

Human Capital

The knowledge, skills and experience of our people that enable innovative and competitive solutions for our clients.

MC

Manufactured Capital

Infrastructure (including property, equipment and digital) used in the delivery of our products to customers. Our business structure and operational processes, including our physical and digital infrastructure, our products, as well as our information technology that provides the framework and mechanics of how we do business and create value.

SRC

Social and relationship Capital

Our citizenship and strong stakeholder relationships, including the communities in which we operate, as we recognize the role that the bank plays in building a strong and thriving society. We report on how we have built strong collaborative relationships with a wide range of stakeholders including regulators, suppliers and the local communities and contributing to socioeconomic development and societal wellbeing of our stakeholders.

NC

Natural Capital

Our impact on natural resources through our operations and business activity.

OUR **PRESENCE IN UGANDA.**

The Bank offers a range of products and services through an extensive network of 50 branches, 57 ATMs, 14 mobile banking vans and over 414 Post banking agents around the country.

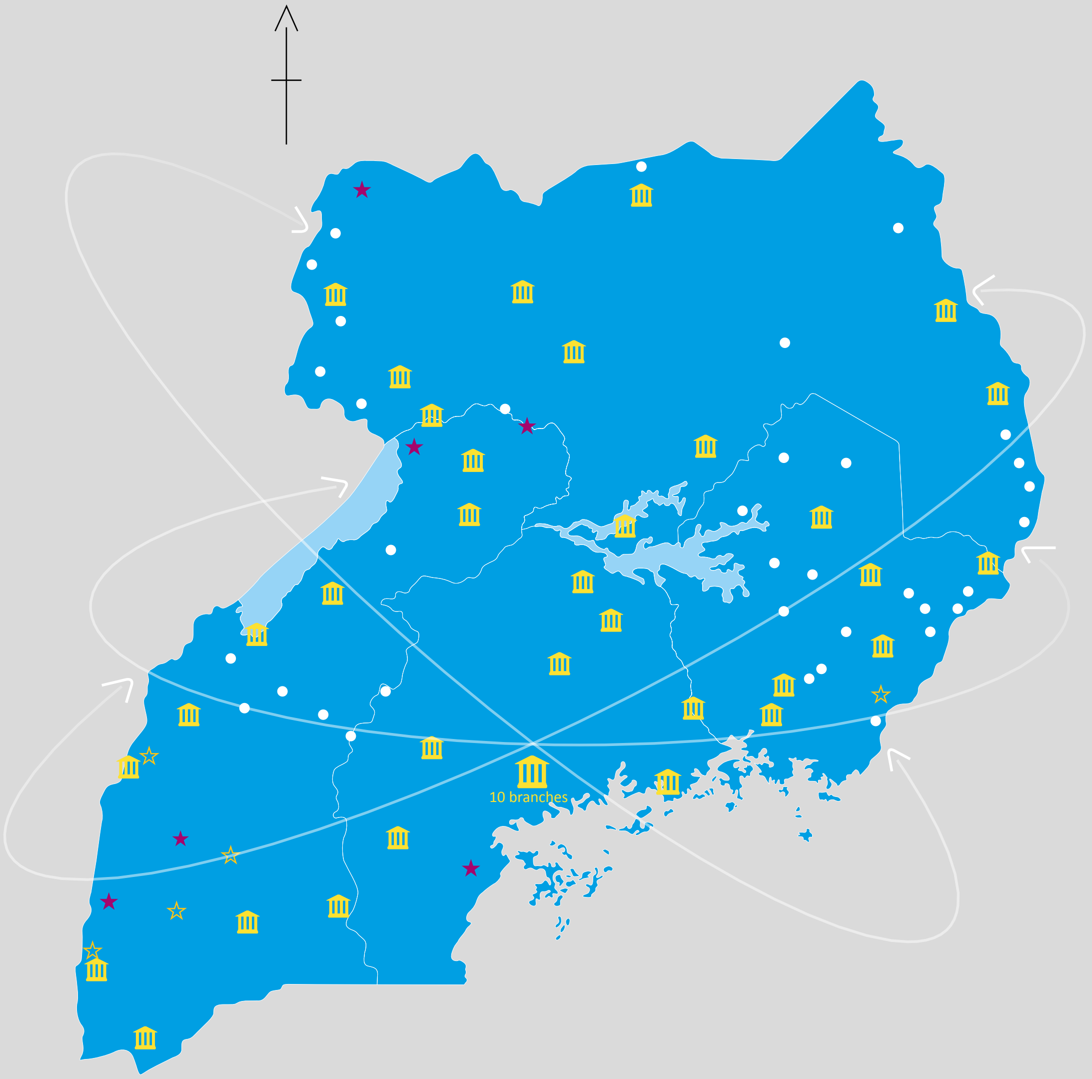
50
branches

57
ATMs

14
Mobile vans

6
Contact centres

414
Post Agents



🏛 Existing Bank branch

● Mobile van points

★ Mini Branches

☆ Contact centres

Branch Location
Nkurumah Road
William Street
Ndeeba
Kampala Road
Forest Mall
Bugolobi
Wandegeya
Makerere
Usafi
Entebbe
Masaka
Mbarara
Kabale
Arua
Fort Portal
Mubende
Kayunga
Hoima
Lira
Gulu
Soroti
Mbale
Jinja
Iganga
Nakasongola
Kakiri
Lacor
Masindi
Bombo
Kitgum
Kasese
Kamwenge
Kanungu
Ntungamo
Kapchorwa
Bweyale
Anaka
Moroto
Bukedia
Kotido
Pakwach
Yumbe
Mukono
Bishop Stuart University
Kagadi
Butogota
Rushere
Kamdini
Amolatar
Kyazanga

OUR BANKING **PRODUCTS AND SERVICES.**

DEPOSITS PRODUCTS.

Individual Savings Accounts.

a) Ordinary Savings Account.
b) Joint Savings Account.
c) Diaspora Savings Account.
d) Foreign Currency Individual Savings Account.
e) Summit Personal Account.
f) Summit Business Account.
g) Early Start Account.
h) Estate Account.
i) Youth Savings Account.
j) Social Assistance Grants for Empowerment Beneficiary Account.
k) Refugee Savings Account.
l) Save As You Earn Account
m) Refugee Save As You Earn Account.

Non-Individual Savings Account.

a) Business Savings Account.
b) Summit Business Account.
c) Foreign Currency Business Savings Account.
d) Women in Progress Group Account
e) Village Savings & Loan Association Account.
f) SACCO Account.
g) Group Account.
h) Government Entity Account.
i) Merchant Accounts.

Investment Accounts.

a) Term deposit Account.
b) Flex D Account.

Futuristic Offer.

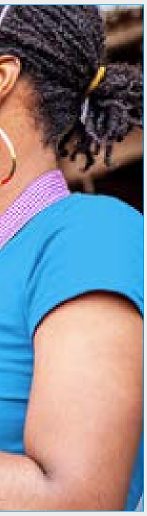
a) Personal Banking Current Account.
b) Business Banking Current Account
c) Salary Current Account.
d) Parish Model Savings Account.
e) Call Deposit Account.
f) Treasury Bill & Bond Offer.
g) Parish Model Account.

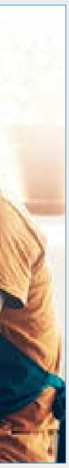
E-BANKING PRODUCTS.

a) Automated Teller Machine (ATMs) Service.
b) Mobile Phone Banking.
c) Online Banking.
d) Agent Banking.

MONEY TRANSFER SERVICES.

a) Western Union Money Transfer.
b) Real Time Gross Settlement (RTGS).
c) Electronic Funds Transfer (EFT).
d) EFT Direct Debit Transfers Option.
e) Swift Servmoney.
f) Money Gram.
g) Transfast.
h) MTN Mobile Money Transfers.
i) Airtel Transfer.
j) SWIFT.





CREDIT PRODUCTS.

Business loans.

a) Secured Business Loan.
b) Small Business Loan.
c) Warehouse Receipt Financing.
d) Quick Cash Loan.

Agribusiness Loans.

a) Agricultural Loan.

Consumer Loan Products.

a) Kyapa Loan.
b) Salary Loan.
c) Group Loan.
d) Workplace Banking Loans.
e) School Loan.
f) Water, Sanitation & Hygiene Loan.
g) Solar Loan.
h) Education Loan.
i) Home and Land Loan.
j) Asset Financing Loan.

BANCASSURANCE SERVICES.

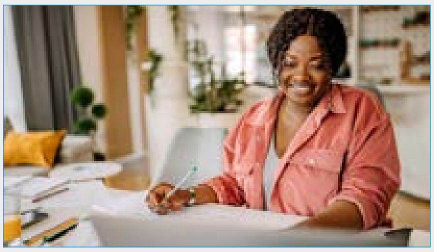
a) Motor/Assets Comprehensive.
b) Fire & burglary insurance.
c) SME Business Cover.
d) Commercial Property Insurance.
e) Business Life Insurance.
f) Third Party.

E-PAYMENTS SERVICES.

a) E-Water payment Service.
b) E-Umeme payment service.
c) E-Tax payment service.
d) E-NSSF contributions collection service.
e) E-Visa fees collection service.

TRADE FINANCE PRODUCTS.

a) Letters of Credit.
b) Un secured Bid Bonds.
c) Secured Bid Bonds.
d) Guarantees.
e) Invoice Discounting.



OTHER SERVICES

a) Field Payments (Designed to extend financial services to predominantly rural areas with no branch network).

b) Safe Custody (Designed to provide of the customers valuable items).

OUR **BUSINESS MODEL.**

Our Inputs.

The resources and relationships on which we rely.

Availability, quality and affordability of capitals.

The resources.

FC

Financial capital.

- Ushs 117.1 billion in equity (2020: 101.3 billion).
- Ushs 63.9billion in borrowings (2020: 63.3billion).

Operating in a capital constrainted and costly post covid 19 business enviroment requires prudent financial position management and robust liquidity planning.

IC

Intellectual capital.

Our brand.

Our positioning as bank that drives financial inclusion.

In the fast paced and competitive financial services industry, intellectual capital that sets companies apart is a scarce resource. Constant innovation and effective implementation of customer solutions is a key differentiator.

HC

Human capital.

1,045 permanent employees (2020: 947).

A shortage of experienced banking skills and talent requires a focus on growing talent and retaining high performers in a competitive market.

To address this, we rolled out a robust graduate trainee program and reviewed our renumeration structure.

MC

Manufactured capital.

- 50 branches.
- 57 ATMs.
- 14 mobile banking vans
- 6 Contact centres

Capital intensive branch & distribution network combined with shifting consumer preferences necessitates a strategic approach to service delivery that meets customer needs and delivers a profitable return for the bank.

SRC

Social & relationship capital.

The relationships with our key stakeholders.

- Employees
- Customers
- Development partners
- Regulators
- Suppliers
- Government

A low trust environment coupled with negative public perception related to high interest rates in a COVID 19 business environment results in banks needing to demonstrate behavior that progressively earns trust, which can be easily lost if not carefully managed.

Refer to our stakeholder reporting on pages 44 to 48.

NC

Natural capital

- 21.3 million litres of water used (2020:21.9 million litres)
- 34,235kgs of paper used (2020: 30,000kgs).
- 999,238kw of electricity used (2020: 991,910kw).
- 147,000 litres of generator fuel used (2020: 129,000 litres).
- 123,662 litres of motor vehicle fuel used (2020: 209,686 litres).

Cost and availability of water, electricity and fuel to support our country wide branch network.

Our Business mode

What we

Destinatio

Why we do what we do.

Affordable and sustainable financial services that drive financial inclusion for social economic development of Uganda.

Our am

We aspire to

leader in financ

Our Business model.

PostBank

EMPOWERING YO

We take

Client deposits + Partner & shareholder funding =

and we create affordable credit and banking services..

Key Risks

Trends & Developments

Gove

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be a market
cial inclusion.

Funds we invest

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nance

Our Outputs.
What we produce.

Our 5 strategic pillars.	Our top priorities.	Material aspects.
Performance (see page 63)	Leadership in Agri-business value chain financing. A strengthened and accessible country wide distribution network. Sustainable business growth.	**1.** Increased capital requirements. **2.** Managing for covid recovery.
Governance & Risk (see page 63)	A well governed & respectable indigenous Ugandan financial institution.	**1.** Heighted regulatory demands.
Technology (see page 63)	Empower digital innovation and cultural change that empowers our customers and transforms how we serve them.	**1.** Disruptive technology from fintechs. **2.** Data security. **3.** Outdated infrastructure.
People (see page 63)	Employer of choice.	**1.** Staff productivity & talent management practices.
Service (see page 63)	Establish a framework & infrastructure to seamlessly serve millions of customers.	**1.** Evolving customer preferences and demographics.

Our Impact.

Accessible & affordable financial services for Ugandans.

UN Sustainable development goals (SDGs).

1 NO POVERTY

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

We believe we have created value when we deliver to our stakeholder goals.

Our **Outcomes**

How we create, erode and preserve value for our stakeholders.

Customers .

Net impact of capitals: FC ⊖ SRC ⊕ MC ⊕

We listened to our customers and set about a journey of improving our customer experience, touch point ambience, que management and reliability of our self-service channels.

	▲	We started a full-fledged 24/7 customer experience unit with a functional contact centre.
	▲	Rolled out service guidelines across our branch network.
	▼	% Digital customer transactions vs total transactions: 52% (2020: 41.3%)
	▲	Number of Agency banking agent on the Post Agent platform: 414 agents (2020: 301 agents)
	▼	Actual branches revamped: 10 (planned for the year: 13).

Development partners and Suppliers.

Suppliers' net impact on capitals: FC ⊖ SRC ⊕

Development partners' net impact on capital: FC ⊕ SRC ⊕

Our aim is to transparently meet our obligations with development partners as well as maintain a fair and productive relationship with our suppliers. Uganda is home to one of the biggest refugee populations in the World. Together with our development partners, we deliver vital payment sustenance to these vulnerable populations using our unique mobile banking vans.

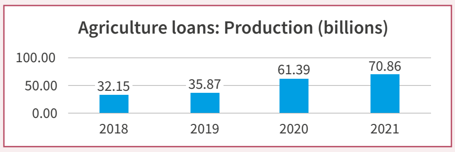
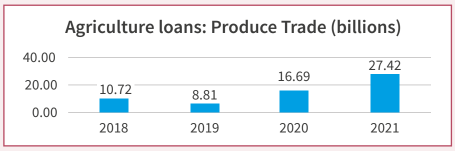
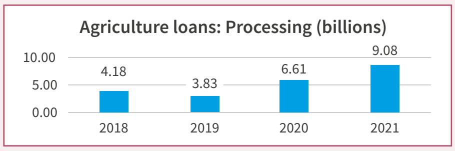
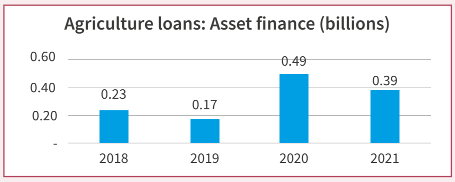
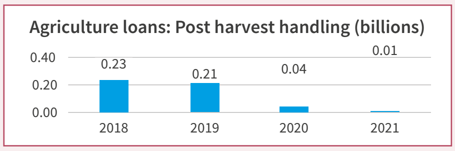
A source business opportunity and growth.	▲	Ushs 56 billion in total annual procurement spend (2020: Ushs 30 billion).
	▲	% of BUBU our procurement spend: 97.06% or Ushs 54.3 billion (2020: 96.97% or Ushs 29.1billion).
	▼	% of indigenous Ugandan Suppliers in our procurement spend: 48.6% or Ushs 27.2 billion (2020: 49.9% or Ushs 14.9 billion).
A reliable and preferred mass payments provider to persons of concern.	▼	Development partner payments to refugees & people of concern: Ushs 154.5 billion (2020: 180.4 billion).
	▲	Number of refugee & people of concern households served: 903,396 (2020: 641,339).

Our shareholder - Government of Uganda.

Net impact of capitals: FC ⊕ SRC ⊕

We are wholly owned by the Government of Uganda; therefore we take a multifaceted view to the value we deliver to this key stakeholder.
From a shareholder perspective our aim is to grow the financial capital and returns entrusted to us. From a corporate citizen perspective we contribute to taxes and support the Government of Uganda initiatives on financial inclusion, access to affordable credit and support for vital sectors of the economy of Uganda.

Sustainable grow and returns to the shareholder.	▲	Total assets: Ushs745billion (2020: Ushs 674billion).
	▲	Profit after tax: Ushs12.2billion (2020: Ushs 10.1billion).
	▲	Gross revenue: Ushs 144.5billion (2020: Ushs 119billion).
	▲	Return on equity: 10.4% (2020: 9.9%).
	▲	Cost: Income ratio: 78% (2020:79%).
	▼	NPL ratio: 10.3% (2020: 10.1%).

Responsible Corporate citizen and key contributor to NDP III goals of the Government of Uganda.	▼	Number of Loans disbursed: 34,494 (2020: 37,272).
	▲	Tax paid to Government of Uganda: Ushs 5.41billion (2020: Ushs 5.11billion).
	▲	Agriculture loan portfolio: Ushs 111.8billion (2020: 88.8billion).
	▲	Loan book: Ushs 454billion (2020: Ushs 334billion).
	▲	Financing the Agriculture value chain:
	▲	
	▲	
	▲	
	▼	
	▼	

Employees.

Net impact of capitals: FC ⊖ SRC ⊕ HC ⊕

For the bank,2021 was a year of many firsts from a human capital perspective. Coming off a year long organization wide restructuring process, it is important to us to implement the key learnings of the process and ensure that our people continue to grow.
We focused on strengthening our people's capabilities and positioned ourselves for the rigors of a fast-growing financial institution.

An employer of choice	▲	Employee engagement at 82% (2020: Nil).
	▲	62 graduate trainees offered permanent roles in the bank (2020: Nil).
	▲	244 learners completed atleast 3 E- Learning courses (2020: Nil).
	▲	Provided gainful employment: Number of staff. 1,045 (2020: 947).
	▲	Training spend: Ushs 626million (2020: 395million).

Regulators.

Net impact of capitals: FC ⊖ SRC ⊕ HC ⊕

We focused on improving our approach to governance and cultivating trust with our regulators.

A well governed organization.	▲	Awarded Tier 1 Commercial Banking licence by Bank of Uganda.

KEY ▲ Positive ▼Negative ■Unchanged ⊕ Net increase in value ⊖ Net erosion in value ⊜ Net preservation of value

OUR **BOARD OF DIRECTORS.**

Back row (L-R): Julius Kakeeto - Managing Director/CEO, Faridah Mukasa Kasujja - Board member, Andrew Otengo Owiny - Board Chairman, Justine Tumuheki Wabwire - Company Secretary / Chief Legal Officer.

Front row (L-R): Andrew Kabeera - Executive Director/COO, Beatrice Amongi Lagada - Board member, Lawrence Kasenge - Board member.

MEET **OUR BOARD.**

Mr. Andrew Otengo Owiny.
Chairman.

A RMC AL HRC

- Masters of Business Administration & Degree in Finance & Accounting from The Wharton School of the University of Pennsylvania, Philadelphia, USA and a Bachelor of Commerce (BCom) Degree (Hons) from Makerere University.

Experience in:
Management, Banking and Finance.

Mr. Julius Kakeeto.
Managing Director.

A RMC AL HRC

- Masters of Business Administration Manchester Business School.
- Fellow of the Institute of Association of Chartered Certified Accountants.
- A member of the Institute of Certified Public Accountant (ICPAU).
- CEO apprenticeship from Strathmore Business School.

Experience in:
Management, Banking and Finance.

Mr. Andrew Kabeera.
Executive Director.

A RMC AL HRC

- Masters in Business Administration from Uganda Martyrs University Nkozi.
- Bachelor's Degree in Economics from Makerere University.
- Certificate in Bank Management.
- CEO apprenticeship from Strathmore Business School.
- Consumer Banking academy graduate.

Experience in:
Management, Banking, Finance & IT.

Mr. Francis Onebe.

Non-Executive Director

Served until January 2022.

● A RMC AL

- Masters, Business Administration (MBA) Nkumba University.
- Fellow of the Institute of Association of Chartered Certified Accountants.
- A member of the Institute of Certified Public Accountant (ICPAU).

Experience in:
Audit, Accountancy, Management, Taxation and banking.

Ms. Beatrice Lagada.

Non-Executive Director.

● HRC A RMC

- Bachelor of Education Makerere University. International Diploma in Planning for Rural Development from National Institute for Rural Development India.
- Diploma in Education from National Teacher's College, Kyambogo.

Experience in:
Management, Public administration and Banking.

Mr. Lawrence Kasenge.

Non-Executive Director.

● RMC AL HRC

- Bachelor's Degree of Science (Hons) in Quantitative Economics. Master of Business Administration in Accounting and Finance (MBA).
- Master of Arts in Economic Policy and Planning (MAEPP), all from Makerere University

Experience in:
Finance, Public Policy analysis, economics and management.

Mrs. Farida Mukasa Kasujja.

Non-Executive Director.

● AL A HRC

- Bachelor of Arts in Economics from Makerere University and is currently undertaking a Chartered Banker Master of Business Administration of Bangor University Business School, United Kingdom

Experience in:
Management, Banking and Finance.

Areas of expertise of the board.

Banking.	Business management.	Finance & taxation.	Audit & risk management.	Technology governance.	Human capital management.	Public administration.

*Areas of expertise of the board.

Board Committees.

A	Audit committee.	AL	Asset and Liability committee.
RMC	Risk Management & Credit committee.	HRC	Human Resources and Compensation committee.

● Committee chairperson.

SUMMARIZED **GOVERNANCE REPORT.**

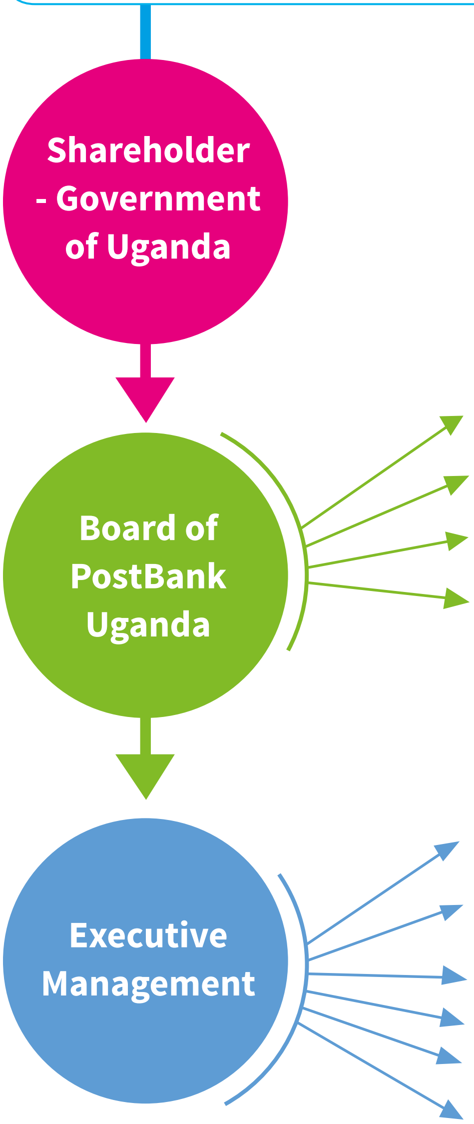
This section of our integrated report answers the question; How does PostBank Uganda's governance structure support its ability to create value in the short, medium and long term?

General.

PostBank was incorporated in February 1998 under the Companies Act as a limited liability company with a 100% Government shareholding and licensed and supervised by the Central Bank as a Credit Institution (Tier II) under the Financial Institutions Act, 2004. In December 2021, the bank was granted a commercial banking licence (Tier I) by Bank of Uganda.

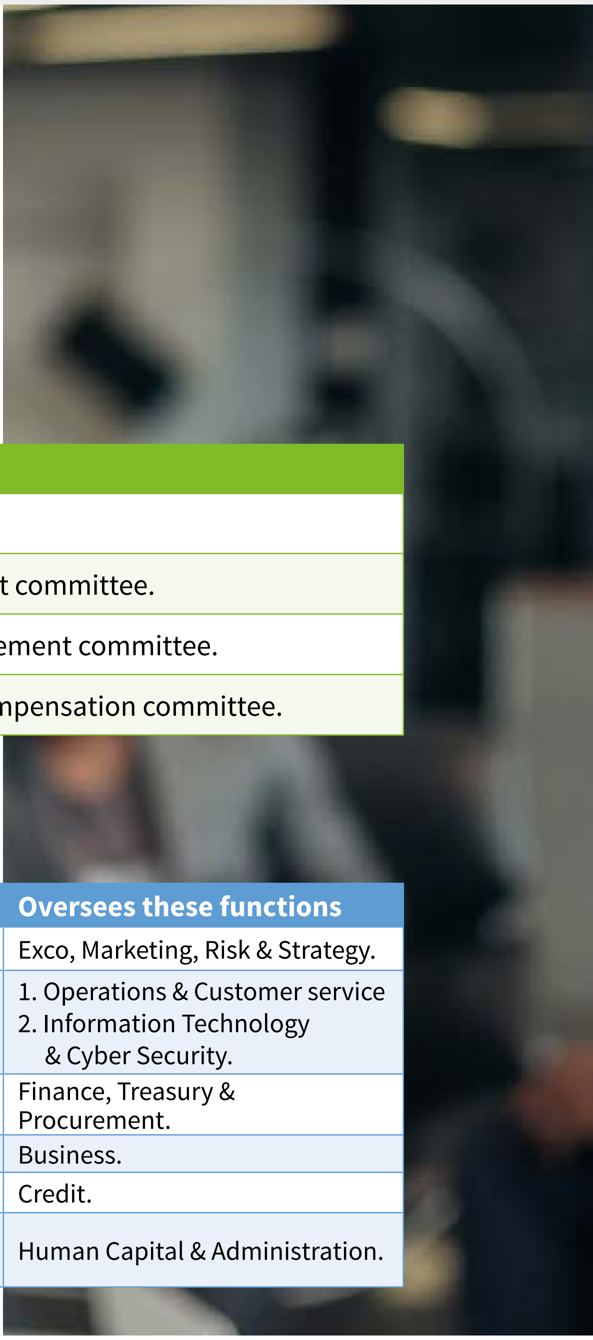
As sole shareholder, the Government of Uganda appoints the Board of Directors based on their professional competencies, personal qualities, and their expected contribution to the governance of the bank in the execution of its mandate and strategy. The board is governed by the Board of Directors' charter.

Our **governance structure.**



Board committees
Audit committee.
Risk management & credit committee.
Asset and liability management committee.
Human resources and compensation committee.

EXCO member	**Oversees these functions**
Managing Director	Exco, Marketing, Risk & Strategy.
Chief Operating Officer/ED	1. Operations & Customer service 2. Information Technology & Cyber Security.
Chief Finance Officer	Finance, Treasury & Procurement.
Chief of Business	Business.
Chief Credit Officer	Credit.
Chief Human Resources & Administration	Human Capital & Administration.



GOVERNMENT OF UGANDA APPOINTS THE BOARD OF DIRECTORS BASED ON THEIR PROFESSIONAL COMPETENCIES, PERSONAL QUALITIES, AND THEIR EXPECTED CONTRIBUTION TO THE GOVERNANCE OF THE BANK.

OUR **APPROACH TO GOVERNANCE.**

We believe that good governance is beneficial for all stakeholders. A well governed PostBank Uganda inspires the confidence of its stakeholders and lowers the cost of its capitals. As a responsible corporate citizen, we are committed to the principles of King IV and we understand that inclusive and integrated governance that aspires to sustainability is good for society.

Our focus points	Inputs	Outputs	Outcomes	
Governing body responsibilities.			**King IV governance outcomes.**	**Delivery on our strategic priorities.**
Strategy	Deliberate and intentional board activities taken to influence PostBank Uganda's strategic direction, compliance, and risk management approach. + A goal congruent executive management approach .	Better informed decision making relevant to the bank's operating context.	**Ethical culture.**	
Policy			**Good performance.**	**Achievement of UN SDGs and stakeholder goals** 1 NO POVERTY 3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 17 PARTNERSHIPS FOR THE GOALS
Oversight	We apply the following board governance practices. • Fully constituted and competent board. • Clearly defined roles and responsibilities. • Compliance with applicable laws and regulations. • Alignment of our 5 year strategy goals.		**Effective Control.**	**Our contribution to Uganda's National Development plan (NDP III).** Sustainable industrialization for inclusive growth. Employment and sustainable wealth creation.
Accountability	Our values influence our strategic decisions. • Passion. • Integrity. • Innovation. • Teamwork.		**Legitimacy with our stakeholders.**	• Delivering to our stakeholders. Government of Uganda. • Employees. • Customers. • Regulators. • Suppliers. • Society.

Key corporate governance practices.

The following key corporate governance practices are in place.

- ☑ All Non–Executive directors are independent.
- ☑ Proactive year-round stakeholder engagement programme
- ☑ Approved Board of Directors Charter in place.
- ☑ Related-party transactions monitored and transparently disclosed in the Annual Financial Statements.
- ☑ Annual independent board and committee evaluations.
- ☑ Steer and set the direction, purpose and strategy of the bank.
- ☑ Directors nominated by shareholders, appointed by Government of Uganda. Appointed directors only assume office after approval and vetting by Bank of Uganda.
- ☑ Managing Director's performance annually evaluated by the board.
- ☑ Board-approved policy on independent professional advice.
- ☑ Enhanced internal and regulatory compliance.
- ☑ Enhanced risk management.

Value creating governance.

We undertook a rigorous corporate reorganization of our business from the board level down to management. Our goal is to address inefficiencies in our operations and address a plethora of legacy performance challenges the Bank has faced over a long period of time.

At the tail end of 2020 (Consequently), we developed a five-year strategic business plan that firmly placed us on a transformation journey that involved the acquisition of a Tier 1 commercial banking license from the Central Bank, a robust review of how we serve our customers and how we meaningfully address the legitimate needs of our key stakeholders and development partners.

We believe that the way we approach governance and leadership in our business supports our overall value creation process. To achieve sustained value, we need to establish and maintain trust with our stakeholders, which would be impossible without embracing governance as a business enabler and strategic priority.

Appropriate governance structures and processes ensure that our business is well-managed and effectively controlled, which in turn allows us to deliver our strategy and create value for the Bank and our stakeholders - now and into the future.

We have developed a mindful governance framework to help us always maintain and achieve ethical and effective leadership. This framework considers all applicable laws, regulations and governance best practices.

Our Board takes ultimate responsibility for the Bank's adherence to sound corporate governance standards and ensures all business decisions and judgments are made with reasonable care, skill and diligence.

Our policy.

The Bank Board constituted itself into four (4) Committees (Board Audit, Board Risk Management and Credit, Board Human Resource and Compensation and Board Asset & Liability (ALCO) Committee) whose roles, mandates and composition are outlined below;

Audit Committee.

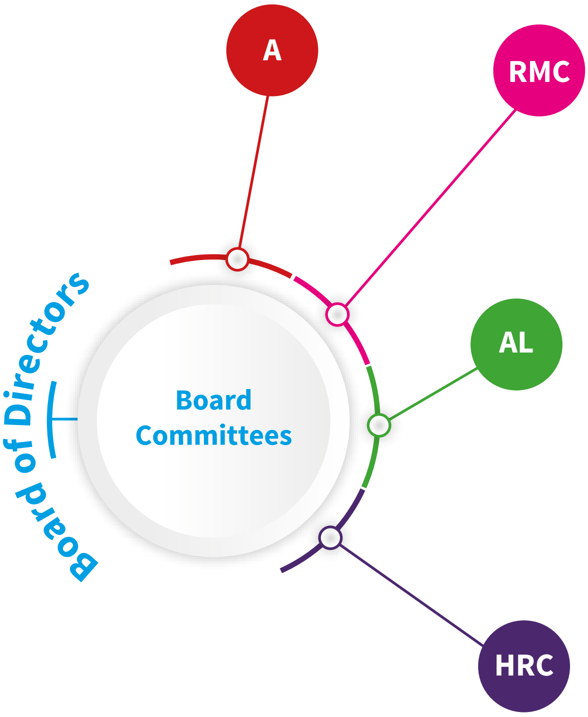
Mr. Francis Onebe- Chairperson.
Ms. Beatrice Lagada- Member.
Ms. Farida Mukasa Kasujja- Member.

The Committee was set up to review and strengthen internal controls, operating procedures, systems, and financial systems of the Bank.

Risk Management & Credit Committee.

Mr. Lawrence Kasenge- Chairperson.
Ms. Beatrice Lagada- Member.
Mr. Francis Onebe- Member.

The Committee advises the Board on its oversight responsibilities in relation to risk management activities including strategic, compliance, credit, market, liquidity, operational and other risks. The Committee reviews and recommends reasonable prudent lending policies, standards, and procedures.



Assets & Liabilities Committee (ALCO).

Ms. Farida Mukasa Kasujja- Chairperson.
Mr. Lawrence Kasenge- Member .
Mr. Francis Onebe- Member.

The Board ALCO Committee assists the Board establish guidelines for liquidity, capital adequacy, funding and reviewing the performance of the Bank against the budget.

Human Resource / Compensation Committee.

Ms. Beatrice Lagada- Chairperson.
Mr. Lawrence Kasenge- Member.
Ms. Farida Mukasa Kasujja- Member.

The Human Resource and Compensation Committee assists the Board regarding compensation of directors, officers, and key management personnel of the Bank as well as approval of structural changes.

Each of the committees' mandate is reviewed annually for relevance and appropriateness taking into consideration changes in the legal and regulatory framework, governance best practices and trends in the business environment. These mandates set out the role, responsibilities, scope of authority, composition and procedures to be followed.

Our Board independence, skills, size and composition.

Our board comprises an appropriate balance of knowledge, skills , experience, diversity and independence to objectively discharge its governance role and experience.

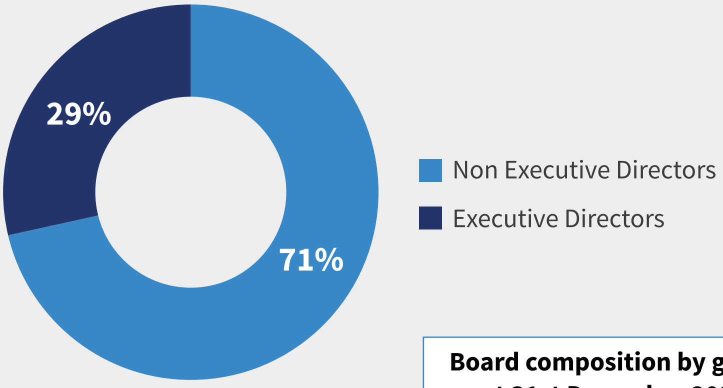
Our Policy.

The Board shall be composed of not less than seven (7) Directors.The Bank Board currently comprises two (2) Executive Directors (Managing Director and Executive Director), five (5) Independent Non-Executive Directors whose biographical details are set out in the Board of Directors section of this integrated report.

The fifth Non-Executive Director (Mr. Francis Onebe, the Chairman Audit Committee) was removed and the recruitment process of his replacement is underway.

In his stead Farida Kasujja temporarily took over as acting chairperson of the Board Audit committee for the rest of the year.

Our Board composition.



Our Board Size.

7 Policy authorized size

7 Actual board size by 31 December 2021

Board composition by gender as at 31st December 2021.

5 Men

2 Women

Our Policy.

All Directors of the Board shall be individuals of integrity and collectively shall bring a blend of knowledge, skill, objectivity, experience and judgment to the Board to enable it exercise its mandate effectively.

The following areas of expertise are relevant to PostBank Uganda. We have created an experienced board with the appropriate balance of knowledge and skills in areas relevant to the bank's business.

- **Banking** – 86% (6 out 7 of the board skilled & knowledgeable.)
- **Finance & taxation** – 71% (5 out of 7 of the board skilled and knowledgeable.)
- **Technology governance** – 43% (3 out of 7 of the board skilled and knowledgeable).
- **Public administration** – 29% (2 out 7 of the board skilled and knowledgeable).
- **Business management** – 71% (5 out 7 of the board skilled & knowledgeable).
- **Audit & risk management** – 57% (4 out of 7 the board skilled and knowledgeable).
- **Human capital management** – 57% (4 out of 7 of the board skilled and knowledgeable).

Enhancing board performance and effectiveness by means of annual self-evaluation.

Our board is the supreme governing body of the bank, therefore its performance & effectiveness in holding management accountable for execution and delivery of our strategic objectives is critical to our value creation process.

Our board charter provides the following tools to our board in performance of its duties.

- Continuous board training.
- On call professional advise from external partners when required.
- Co-opt other board members on committees for their expertise on a matter.
- Defined time for the evaluation of the Managing Director – 1 month upon approval of the previous year's audited financial statements by the Auditor General and Bank of Uganda.
- Clear delegation protocols to ensure the board focuses on the most important matters.
- A robust induction program for both Non-Executive and Executive directors.
- Timely, sufficient and uniform information before meetings from management.
- Minimum 4 meetings a year. Main board and committees able to arrange additional meetings should the affairs of the bank require this.

Board meetings, induction & trainings in 2021.

Non Executive Director	**Andrew Otengo Owinyi**	**Lawrence Kasenge**	**Faridah Mukasa Kasujja**	**Beatrice Lagada**	**Francis Onebe**
Number of trainings & induction	1	2	1	2	1

The attendance of the Bank Directors at Board meetings is as follows;

Directors	Board Meetings attended	Meetings eligible to attend as Director
Andrew Otengo Owiny	8	8
Farida Mukasa Kasujja	8	8
Lawrence Kasenge	8	8
Beatrice Lagada	8	8
Francis Onebe	6	8
Julius Kakeeto	8	8
Andrew Kabeera	8	8

Directors	**Board Meetings attended**	**Audit Committee**	**Risk Management & Credit Committee**	**Human Resource & Compensation Committee**	**Assets & Liabilities Committee**	**Overall individual attendances**
Eligible meetings	8	5	4	5	4	
Andrew Otengo Owiny	8					**100%**
Farida Mukasa Kasujja	8	5		4	4	**95%**
Lawrence Kasenge	8		4	5	4	**100%**
Beatrice Lagada	8	5	4	5		**100%**
Francis Onebe	6	4	3		3	**76%**
Julius Kakeeto	8	5	4	5	4	**100%**
Andrew Kabeera	8	5	4	5	4	**100%**
Percentage of attendance at Committee Level	**96%**	**93%**	**92%**	**93%**	**92%**	

The table above details attendance at committee level for the Board of Directors.

Our Directors' renumeration in 2021.

	Retainer fees (Ushs)	Meeting allowances (Ushs)	Airtime allowance (Ushs)	Transport allowance	Total (Ushs)
Executive Directors	-	-	-	-	**-**
Non-Executive Directors	265,714,272	40,400,000	13,200,000	17,128,000	**336,442,272**

** Executive Directors are not renumerated for their Board duties.*

Board performance evaluation.

Our Policy.

The Board shall subject itself to collective and individual performance appraisal annually.

Our board and committee self-evaluation process allows for annual assessment of board practices and the opportunity to identify areas of improvement. Our charter also allows for independent external evaluation of the board in line with the recommendations of King IV and expectations of Bank of Uganda our Central Bank and regulator.

Our 2021 external performance evaluation of our board is still ongoing with results expected in 2022.

Board activities in 2021.

During the year, the board and its various committees discussed, oversaw and monitored PostBank Uganda's performance and key strategic initiatives.

Performance.

Performance.

- Considered operating and financial performance updates.
- Discussed the top 3 key balance sheet risks for the bank, the effects the pandemic on our loan book as well as our related sector specific response.
- Recommended capitalization of retained earnings to the shareholder as part of the bank's capital plan to meet impending Basel II requirements as directed by Bank of Uganda.

Strategy.

Performance Pillar.

- Approved the bank's 5-year strategic plan.
- Considered and approved multi year plan to open branches in strategic locations in Uganda.
- Reviewed and approved critical IT infrastructure to support mass customer acquisition.
- Approved business development policy necessary to expand the bank's product offering in line with strategy.

Governance & risk pillar.

- Approved and updated 40 (forty) policies of the bank.
- Monitored closure status of all legacy issues raised by Central Bank & Internal Audit assurance exercises.
- Monitored progress of Basel II and Internal Capital Adequacy Assessment Process (ICAAP) implementation.
- Considered and approved a new risk appetite statement and related lending and sectoral limits for the bank.
- Considered and approved a robust internal audit charter as well as the annual internal audit plan of the bank.
- Monitored and considered progress of Know Your Customer (KYC) compliance of customer information for the bank.

Technology pillar.

- Approved corebanking system upgrade.
- Approved upgrade of bank's ATM switch & related data centre infrastructure capital expenditure spend.
- Considered and approved upgrade of the bank's cyber security capabilities.

People pillar.

- Approved new organizational structure to support the bank's strategic aspirations.
- Considered and approved the commencement of the bank's graduate trainee program.
- Monitored progress of implementation of the staff performance management process.
- Considered impact of the covid -19 pandemic on staff welfare.

Service pillar.

- Completed set up of 24 hours/7 days a week customer call centre.
- Set up defined customer service standards for the bank.

WE SHALL CONTINUE TO INNOVATE TAILOR MADE PRODUCTS & SERVICES THAT FIT INTO THE NEW NORMAL – "THE DIGITAL SPACE".

3

OUR BUSINESS IN CONTEXT.

REFLECTIONS FROM OUR **BOARD CHAIRMAN.**

Andrew Otengo Owiny.
Board Chairman.

Dear Shareholders,

It has been a challenging 12 months, overall influenced by the disruptions of the COVID-19 pandemic and although we continued to experience slow economic recovery, we remained firm and stood steadfast against economic pitfalls to grow across all parameters in 2021.

Navigating the COVID-19 Pandemic

To mitigate the effects of the pandemic on our key stakeholders – Customers, we put our weight on vital sectors and supported the education, tourism and agriculture sectors with affordable financing solutions to enable them stay afloat.

For our MSME clientele, we implemented flexible recovery measures as per the Bank of Uganda (BoU) guidelines. Loans were rescheduled and handled on a case-by-case basis to buffer them against COVID shocks. The Bank also heavily invested in digital technologies – enhancing mobile banking platforms to allow customers transact within the confines of their homes.

As the pandemic raged on our staff too were impacted. We employed a hybrid approach - switching between remote working and the workplace as a way to minimize the spread of the virus and keep everyone safe. We also abided by the Ministry of Health guidelines

> “
> I WOULD LIKE TO THANK ALL OUR STAKEHOLDERS; THE GOVERNMENT OF UGANDA – OUR SHAREHOLDER, THROUGH THE MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT, THE BANK OF UGANDA – OUR REGULATOR, COMMITTED CUSTOMERS, DEDICATED STAFF AND ESTEEMED PARTNERS FOR CONTRIBUTING TOWARDS OUR GROWTH.

22%

PROFITABILITY

Record profitability of Ushs. 12.2 billion. A 22% increase from the Ushs. 10.07 billion earned in 2020.

15.5%

SHAREHOLDER EQUITY

Shareholder funds also grew by 15.5% from Ushs. 101.4 billion to Ushs. 117.1 billion.

> **OUR MANDATE TO TRANSFORM LIVES AND EMPOWER LIVELIHOODS ALSO SAW US, IN DECEMBER 2021, GRANTED WITH A LICENCE TO OPERATE AS A TIER ONE FINANCIAL INSTITUTION. TODAY, POSTBANK IS A FULLY FLEDGED COMMERCIAL BANK.**

and observed Standard Operating Procedures (SOPs) within branch premises. Thanks to all our concerted efforts, there were no irreversible outcomes.

The Board also continued to provide oversight to the organization through regular meetings with the Executive Committee (ExCo) and Senior Management Team (SMT). Branch visits were also conducted by the Board & ExCo to track the progress of our transformation strategy.

Financial Performance

Despite the challenges experienced in 2021, we returned a record profitability of Ushs 12.2 billion. This is a 22% increase from the Ushs. 10.07 billion earned in 2020.

Our shareholder funds also grew by 15.5% from Ushs 101.4 billion to Ushs 117.1 billion. The Bank remains committed to delivering value for its Shareholders.

Our mandate to transform lives and empower livelihoods also saw us, in December 2021, granted with a licence to operate as a Tier One financial institution.

> ***Today, PostBank is a fully fledged commercial bank.***

Our growth was not only influenced by continued investment in strengthening governance & risk, capacity building, tracking & refining customer experiences and improving the operations within the Bank, but by the multilateral efforts of all our stakeholders.

I would like to thank all our stakeholders; the Government of Uganda – our shareholder through the Ministry of Finance, Planning and Economic Development, the Bank of Uganda – our regulator, committed customers, dedicated staff and esteemed partners for contributing towards our growth.

Looking Ahead

As we dawn into a new era, we see so many strong prospects for growth. Even though we are still facing the spillover effects of the pandemic and bearing the pain from the Russia-Ukraine conflict, we are confident that we shall stand firm.

Owing to lessons learnt from the pandemic, we shall continue to innovate tailor made products & services that fit into the new normal – *"The Digital Space".* We shall also continue to improve our governance and risk framework, enhance our infrastructure to serve our customers better and implement cost-cutting strategies that will deliver on the agenda of PostBank being a market leader in financial inclusion. We are also committed to improving our staff skillsets; orchestrating simultaneous training programmes through our human resource department.

In 2020, we started by launching a five-year strategy and thus far, we have created an environment of endless possibilities for all stakeholders. I look forward to a profitable year and a successful future for the Bank and all its stakeholders.

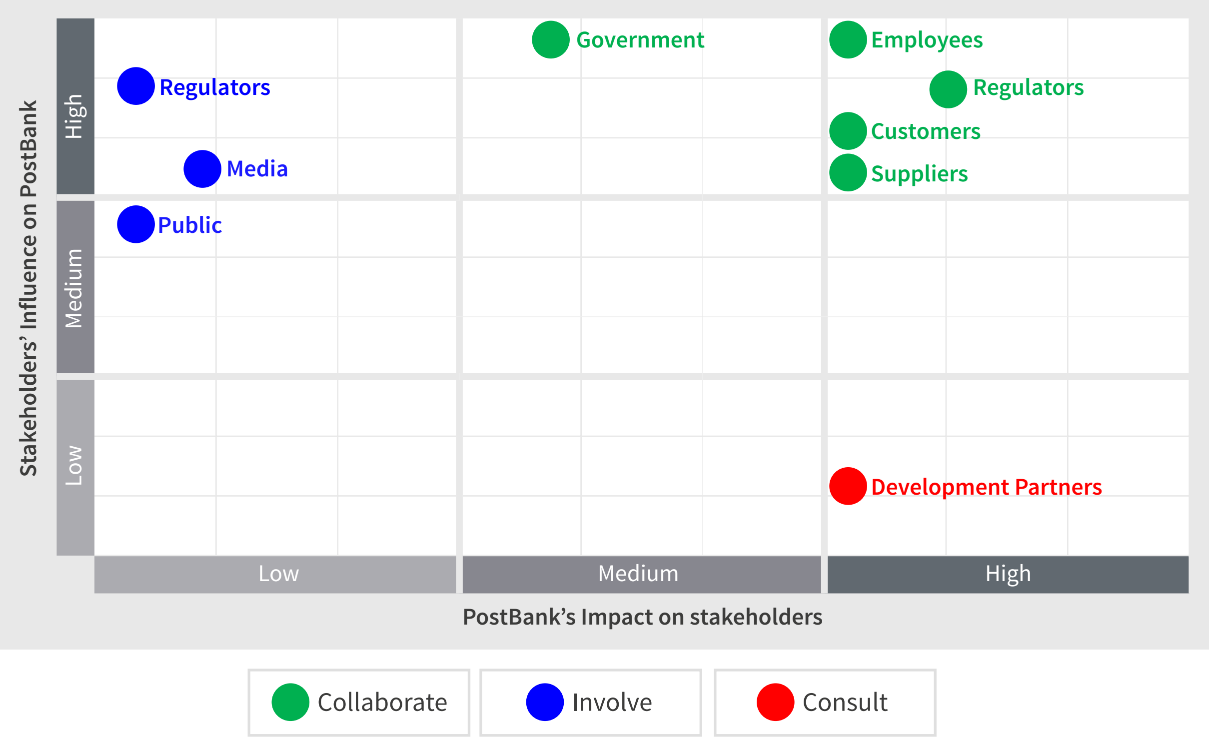
INTEGRATED **STAKEHOLDER ENGAGEMENT.**

Analysis of PostBank Uganda's stakeholders.

Our stakeholder analysis continues to evolve as we align our stakeholder goals to our strategy.

We have tailored engagement plans to meet key stakeholders' individual value expectations. We are currently assessing our existing engagement strategies against the results of the review to identify opportunities that will allow better engagement with our stakeholders and forge stronger relationships. Stakeholder feedback is shared with the senior leaders within the Bank and informs our decision-making process.

Stakeholder mapping landscape.



Implementing tailored engagement strategies for key stakeholders.

We believe that the way we engage with our stakeholders and address the issues they raise impacts on the quality of our relationship with them. We therefore measure the quality of our relationships through various feedback mechanisms to make an informed assessment.

Internal quality assessment of our stakeholder relationships.

• No existing relationship.	★☆☆☆☆
• Relationship established but much work to be done to improve the quality of the relationship..	★★☆☆☆
• Relationship established, value-generating connection, but with room for improvement.	★★★☆☆
• Good-quality, mutually beneficial relationship with some room for improvement .	★★★★☆
• Strong relationship of mutual benefit.	★★★★★

Our clients.

Objective - To provide exceptional client experience.

Why we engage	How we engage	Key matters raised	Our responses
• Ours is a business that serves a diverse pool of customers and clientele in Uganda and the diaspora. Therefore we engage to understand and respond to the unique needs of each customer group.	• Customer surveys. • Our branches and customer touchpoints. • Communication across various platforms (emails, social groups, print and electronic media, toll free call centre and PostBank App.	• Agency banking transaction failure. • Lengthy service and product processes. • ATM dispenser failures • Response time in resolving issues, and complaints. • Turnaround time on loan applications.	• We recognize that most of our customer concerns in 2021 relate to our processes and infrastructure stability. • To this end we have invested heavily to address this concern. See our tradeoffs section on page 70 - 72 to understand how we are addressing this.

Quality of relationship indicator.	★★★☆☆

Government of Uganda.

Objective- Support NDP III through expansion of financial inclusion.

Government is our sole owner and we aim to support its priorities, increase household incomes and improve quality of life of Ugandans through our business operations. Our goal is to transform the lives and livelihoods of Ugandans through affordable and sustainable financial services. This aligns to NDP III

In 2021, PostBank Uganda Limited disbursed facilities to individuals and MSME's to finance the growth of their business ventures, increase the capacity of their enterprises, mechanize their operations, obtain working capital and improve their livelihoods. 30% of the total loans disbursed were extended to customers in the key growth opportunity sectors of agriculture, ICT and minerals beneficiation. In a bid to drive inclusive growth, 21% of the facilities channeled towards the key growth opportunities were extended to female owned enterprises while 71% of the facilities were channeled to businesses located in rural areas.

Given the centrality of industrialisation and manufacturing in the development journey of Uganda, the Bank extended over 180 facilities to fund manufacturing and agro-processing ventures. Through its strategic partnership with Uganda Development Bank Limited (UDBL), the bank in 2021 extended support in excess of Ushs 23 billion to support import replacement and export promotion through industrialization.

Employment and sustainable wealth creation.

The Bank participated in creating employment opportunities and facilitating sustainable wealth creation by empowering its customers to access finance and providing a stable source of income to its employees. The bank through its partnership with Heifer International Uganda (HPI), enabled various youth groups in

Hoima and Bombo to access unsecured facilities at highly subsidized interest rates. Farmers with insufficient collateral were supported to obtain credit through the Bank's partnership with aBi Finance Limited.

Under the Agricultural Credit Facility partnership with the Bank of Uganda (BOU), the bank supported several farmers to obtain working capital, process their output, acquire livestock, expand and improve their farms and modernize their facilities.

Focusing on the internal contribution to employment and wealth creation, as of 31 December 2021, the bank was providing employment to a total of 1,045 men and women.

PostBank Uganda Limited strives to be a market leader in the driving financial inclusion to hard-to-reach locations and the provision of mass payment solutions to Persons of Concern (PoCs). In 2021 we strengthened our position in the payments space, partnering with the Government of Uganda to distribute the COVID-19 relief payments and the collection of the COVID-19 test fees at the Entebbe Airport.

The Bank currently embodies the objectives set out in Vision 2040 and NDP III in its Strategy 2020 - 2025 and will continue to drive financial inclusion and the improvement of lives and livelihoods in Uganda.

Why we engage	How we engage	Key matters raised	Our responses
• By understanding our shareholders' requirements and meeting their expectations of sustainable value creation, demonstrate proficiency, which strengthens our access to more government support and funding.	• Annual General Meeting. • Participation in different government programs.	• Limited access to credit for the Ugandan population. • High cost of credit.	• 90% of our capital is dedicated to lending rather investment in Government treasury bills and bonds. • We continue to subsidise the cost of borrowing for customers in the agricultural sector.

Quality of relationship indicator.	★★★★☆

Suppliers.

Objective - Treat all suppliers fairly.

Our suppliers are integral value drivers of our business operations and as such we take care to ensure that our dealings with them are transparent and fair. Guided by our procurement practices and policy, we have a dedicated team of procurement experts who maintain strong relationships with our suppliers and logistics providers.

Why we engage	How we engage	Key matters raised	Our responses
• We promote supplier - success through clear policies, procedures, terms and conditions. • It is important to ensure our suppliers are aligned with our values and have standards as high as ours.	• Direct contact between vendors and our sourcing specialists.	• Supplier opportunities available. • Compliance with PPDA & tax requirements. • Turn Around Time of payments.	• We remain committed to expanding our supplier database with a clear bias for Ugandan businesses.

Quality of relationship indicator.	★★★☆☆

Employees.

Objective - To be the employer of choice.

Employee engagement is a critical driver of our long-term sustainable value. Our people's thoughts and feelings about their work correlates with how satisfied our clients are and indicates how successful we are likely to be in accelerating our strategy to achieve higher growth and efficiency, while retaining the trust our stakeholders have in the bank.

Why we engage	How we engage	Key matters raised	Our responses
• Employees are fundamental to growing our brand and delivering high-quality service. • Employee engagement is vital to maintain connection, motivation and an engaged workforce.	• Our HR caravan and our #SelfcareStartsWithYou campaign that brings our Human Resource team in the branches and office space of our staff. • Extensive internal communications using multiple platforms tailored to employees. • Employee surveys. • Rewards & recognition. • Performance reviews and exit interviews.	• Fair and market-related remuneration. • Career development opportunities. • Transformation at senior management level. • Learning and development including access to mentorship and coaching programmes.	• We created a graduate management trainee program to attract and retain at-least 30 fresh graduates with high-potential annually. • We annually benchmark remuneration practices against peer and industry companies and work to ensure our remuneration practices are fair, transparent and equitable. • Our specialist learning and development department supports capacity building. • We support internal employee promotions when opportunities arise and encourage internal career growth.

Quality of relationship indicator.	★★★☆☆

Regulators.

Objective - Exemplary governance and ethics in everything we do.

Why we engage	How we engage	Key matters raised	Our responses
• Our business is heavily regulated to protect the legitimate interests of all concerned.	• Regular circulars and meetings with bank of Uganda and PPDA.	• Impending regulation and timely adherence to regulator directives from the Central Bank. • Procurement accreditation tailored to banking and financial services from PPDA.	• We support and actively foster a transparent and productive relationship with all our regulators.

Quality of relationship indicator.	★★★★☆

Development partners.

Objective - Transparent, accountable and timely implementation of projects.

Why we engage	How we engage	Key matters raised	Our responses
• We have mutual interests in various aspects of community service and service delivery.	• Program specific meetings.	• Progress of program accountability and assurance audits. • Adherence to grant conditions and agreements. • Effectiveness of interventions & projects.	• We are committed to a seamless accountability and delivery of mutually agreed projects.

Quality of relationship indicator.	★★★★☆

Society.

Objective - To be a responsible community participant.

Why we engage	How we engage	Key matters raised	Our responses
• As a truly Ugandan business with a nationwide footprint, we seek to create and maintain mutually beneficial relationships with every local society where we are represented. • We contribute to programs whose focus is improve household incomes and the quality of life of Ugandans.	• Through our CSR policy and programs. • We engage directly with our communities and related non-profit organizations to understand community concerns. • We also engage through community forums.	• Employment of local talent. • Business development in local communities. • Job creation. • Skilled work force development. • Social benefits to the development of communities where our branches are located.	• Our CSR Policy will create a significant impact for communities.

Quality of relationship indicator.	★★★☆☆

RISKS AND OPPORTUNITIES.

The part of our intergrated report answers the question; What are the specific risks and opportunities that affect PostBank Uganda's ability to create value over the short, medium and longterm and how we are dealing with them.

Integrated Risk Management Approach.

We believe that an effective risk governance model contains checks and balances to support appropriate consideration of risk and opportunity management throughout the organization. To this end, we introduced a renewed risk management framework strengthening risk management by all the three lines of defence. We therefore consider integrated risk management to be an optimal approach that strengthens operational practices, decision making and goal setting to better respond to stakeholder needs as well as to support the desired consent and buy in from all our staff.

Accountability for Risk and Conduct.

The Overall Board.

The Board plays a pivotal role in ensuring the Bank has an effective risk management system. This mandate includes overseeing the bank's risk management systems, practices and procedures to ensure effectiveness in risk identification and management as well as to ensure compliance with internal policies and Bank of Uganda regulations.

The Board has set up various Committees that help it in overseeing risk management activities. The Board Risk and Credit Committee, the Board Audit Committee, Board Human resource and Compensation Committee, Basel II Implementation Committee, Board Assets & Liabilities Committee, Human Resources Management Committee, Products Development Management Committee, Contracts Committee and Senior Management all oversee certain aspects of risk management.

The Board Risk Management and Credit Committee.

The Board Risk and Credit Committee is the primary Committee delegated to oversee risk management in the Bank.

As part of its mandate, the Committee

a. Formulates a policy framework for risk management based on the bank's vision, mission and philosophy, as well as well best practice and regulatory requirements particularly appropriate steps to prepare for and comply with Bank of Uganda requirements for adherence to BASEL II.

b. Causes management to develop, implement and report on; risk management policies, procedures, internal compliance/control systems, risk management functions & programs for effective management of risks, as well as greater awareness on risk management at all levels.

c. Formulates appropriate organizational structures and ensure adequate staff capacity with clear reporting lines to conduct risk management functions. Delegate implementation authority, set and monitor performance management systems.

d. Continuously assesses and monitors risk management functions, with a focus on risk identification and mitigation strategies. Where necessary, ensure that the bank takes appropriate insurance policies to cover risks that cannot be adequately mitigated internally.

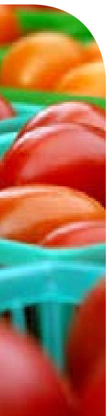
e. Reviews and makes recommendations to the Board regarding risk management policies, procedures, mitigation strategies/programs aimed at managing risks, any material risk events and or changes to the risk profile, instances and actual or potential breaches.

f. Receives and considers proposals for new outlets and markets as well as new products for the Bank's business and make recommendations to the Board.

g. Considers any other matters deemed necessary for risk management and or delegated by the Board.

h. Follows up on cases that involve fraud as and when reported through Internal/External Auditors.

i. Tracking and monitoring closure of Management risk committee resolutions, internal & external audit recommendations



Board Audit Committee.

The Board Audit Committee also plays an important role in risk management and provides oversight of the financial reporting process, the audit process, the bank's system of internal controls and compliance with laws and regulations.

Board Assets and Liabilities Committee.

The board assets and liabilities committee plays an important role in managing the key balance sheet risks and overall financial performance of the bank. In particular, the committee oversees and provides guidance for liquidity management, capital adequacy, funding as well as reviewing the performance of the bank against set budgets.

Management Committees.

Executive Management is responsible for the day-to-day oversight of all principal risks impacting the Bank. Various Committees have been set up within the Bank responsible for different facets of risk management.

The Executive Committee, Senior Management Team, Contracts Committee, Human Resources Management Committee, Products Development Management Committee, Management Risk Committee (MRC), Management Credit Committee (MCC), Management Assets & Liabilities Committee (MALCO), ICT Steering Committee, Projects Steering Committee, Basel II Implementation Committee, Change Advisory Board (Stand-alone) provide the required day today management of risk. They meet monthly to deliberate on matters affecting the Bank.

Business Units.

Business units are the owners and managers of the risks inherent in the activities they perform daily. The Risk Management Division is at the center of coordinating and advising on risk management whereas different risks are managed by the risk owners within other divisions and directly supported by the risk champions in all units.

Risks on our radar.

How we approach Risk Management.

The risk profile of the Bank is rated based on the following criteria in line with the Bank of Uganda Risk Management guidelines.

A.	**Inherent Risk.**	
🟩	Low	The volume, size and the nature of the activity is such that even if internal controls have weaknesses, the risk of loss is remote and of minimum consequence to the institution's financial soundness.
🟨	Moderate	The positions are moderate in relation to the institution's resources or its peer group and in case of loss could be absorbed by the financial institution through the ordinary course of business.
🟧	Above Average	The activity is fairly significant or positions are fairly large in relation to the institution's resources or its peer group and in case of loss could cause a strain on the institution's financial soundness.
🟥	High	The activity is significant or positions are very large in relation to the institution's resources or its peer group and in case of loss could cause serious threats to the institution's financial soundness.

B.	**Overall Risk Management.**	
🟩	Strong	Indicates a risk management framework where the SFI's risk management systems, although largely effective, may be lacking to some modest degree. It reflects an ability to cope successfully with existing and foreseeable exposure that may arise in carrying out the SFI's business plan.
🟨	Acceptable	Indicates very strong risk management systems with low risk of negative impact on the institution. Management effectively identifies and controls all major types of risks by the relevant activity or function.
🟧	Needs Improvement	Indicates a risk management system that are lacking in some fairly important ways, which if not addressed could derail the institution's ability to achieve its objective.
🟥	Weak	Indicates a risk management system that are lacking in important ways and therefore a cause of more than normal supervisory concern.
C.	**Direction**	
	Stable	The trend suggests that risk is not likely to change
	Decreasing	The trend is getting better as business is reverting from a riskier position.
	Increasing	The trend suggests that the risk is likely to worsen and the situation calls for further management intervention.

Risk profile & overall risk matrix - 31st December 2021.

S/N	Risk Type	Inherent Rating	Overall Net Risk	Direction Horizon	Overall RAG
1.	Operational Risk	High	High	▼	🟧
2.	Credit Risk	High	High	▲	🟥
3.	Compliance Risk	High	Moderate	▼	🟧
4.	Technology/ Cyber risk	High	High	▼	🟧
5.	Project Risk	High	Moderate	▼	🟧
6.	Reputational Risk	Moderate	Moderate	↔	🟩
7.	Legal Risk	High	Moderate	▼	🟧
8.	Liquidity Risk	High	High	▼	🟧
9.	Strategic Risk	High	Moderate	▼	🟧
10.	Market Risk	Low	Low	↔	🟩
11.	Outsourcing Risk	Moderate	Low	↔	🟩
12.	Product Risk	High	Moderate	▼	🟧
13.	COVID-19	High	Moderate	▼	🟧
14.	Stakeholder Risk	Low	Low	↔	🟩
	OVERALL RISK MANAGEMENT			**NEEDS IMPROVEMENT**	

Our Risk drivers and opportunities.

Operational risk.

The main risk drivers include loan fraud arising from staff and customer collusion and the increasing reliance on alternate distribution channels/ digitisation.

In order to manage this risk, we have undertaken the following actions;

- Review of Credit Policies and Procedures.
- Staff sensitisation.
- Zero-tolerance to fraud.
- Recovery of lost funds from culpable staff as well as insurance to minimise overall exposure.
- Effective consequence management.
- Focus on cyber security.

Credit risk.

The post Covid 19 impact on the business environment has been evident especially for the education, tourism and hospitality sectors leading to the implementation of Credit relief measures as per the Bank of Uganda COVID-19 Credit Relief Guidelines including restructuring.

Compliance risk.

We focused on the resolution of outstanding Bank of Uganda findings from previous onsite supervision visits as well as risks identified in external audit reports to ensure a good internal control and operating environment. We have implemented an all encompassing compliance strategy, spelling out the compliance universe/ obligations register.

Technology/cyber risk.

We continue to see technology driven fraud attempts and on that basis we have strengthened and continue to strengthen our IT technology and cyber security governance.

Project risk.

As a result of COVID-19, the bank experienced delays in projects implementation and as a matter of necessity, management has improved Project Management and Governance.

Legal risk.

Legal risk has been mainly driven by litigations and claims against the bank mainly arising from other people risks/Human resource related matters and Credit related matters. We strengthened the inhouse legal unit to adequately deal with the legal risks.

Liquidity risk.

Mainly measured by our savings to total deposits ratio, we continue to mobilize low-cost savings deposits to responsibly fund our business.

Market Risk.

This has been driven by foreign exchange fluctuations & interest rate fluctuations necessitating the bank to adequately manage the bank's net open position.

Strategic Risk.

To achieve the bank's long-term objective, we focused on implementation of all projects with a strategic bearing to the bank's niche and targeted customer base.

The above risks have created opportunity for the bank to;

- Update the risk management framework.
- Upgrade of the Core Banking System and other related system upgrades.
- Increased collaboration and partnership with clients as they rebuild their businesses.
- Innovative client solutions to ensure that these businesses survive and continue doing business with the bank.
- Focus on sectors of the economy that were mildly impacted by the pandemic as well as new business lines such as trade finance.
- Improve relationship with the Regulator (Bank of Uganda) while ensuring expeditious implementation of Bank of Uganda recommendations.
- Create a secure online environment for our clients.
- Implement projects of strategic nature geared towards meeting customer needs and improving the bank's performance through overall reduction of operating costs and operational losses.
- Development of internal capacity and expertise to effectively handle all sorts of litigation threats and claims for and against the bank.
- Heightened Deposit Mobilisation Campaigns and Business Partnerships.
- Establish a strong Tier 1 Treasury Office with functional Front, Middle and Back Offices.
- Make a strong case to the shareholder for additional capital injection to enable the bank to invest in more earning assets and significantly improve performance both in the short term as well as long term.

Risk Management – our way forward.

As we build and improve our capabilities in financial services business, we will continue to leverage our current risk management processes and proactively expand and evolve our enterprise risk environment to anticipate and effectively manage risks that may arise. We expect uncertainty and rapid change to remain features of our operating environment in 2022 and we are alert to the post Covid-19 impact on our employees and our diverse client portfolio.

We are intentional on automating the risk management processes through acquisition of an enterprise risk management system by the year 2022 to increase efficiency and effective risk oversight as well as risk analysis.

OUR **OPERATING CONTEXT.**

Our materiality process applies integrated thinking to identify those matters that may influence our ability to create value in the short, medium and long term.

We identified five trends (see pages 10 and 11 for discussion on our material matters) that stood out as the broader themes under which our material matters are classified. These trends also have the potential to transform our business.

IT innovation & digitization in the banking industry.

- Multiplied number of delivery channels buoyed by strategic partnerships with fintech and enabling regulations.
- Customers rapidly adopting self-service channels as opposed to visiting physical branches.
- The emergency of non-traditional competitions in telecoms, insurance, fintech and community SACCOs.
- Less use of cash as a means of payment.
- Reliance on automation and outsourcing of processes for cost differentiation.
- Reliance on big data and artificial intelligence.

How this impacts our strategy.

We embarked on a digital journey to develop secure & reliable channels that go beyond our country - wide brick and mortar branch network.

Ours is historically a predominately over the counter (OTC) led banking service characterized by long banking ques, low digital and cardless transactions in addition to inefficient manual operations. Over a two-year period (2019 - 2020), we adapted our service delivery model to migrate over 50% of the existing over the counter (OTC) transactions to alternative distribution channels (Agency banking, PostMobile App and our ATM fleet).

To incorporate customer behaviour in our retail lending decisions, we have embarked on a journey to develop our data gathering and analytics capabilities to tailor our service offering and grow our customer base.

For more information on how we are responding, please see our strategy discussion on pages 58 - 72.

Covid pandemic and its impact on the bank and the business environment.

- The global economic recovery is continuing, even as the pandemic resurges with new covid -19 variants and supply chain distractions. The rapid spread of the Delta variant and the threat of a new variant - Omicron have increased pandemic related uncertainty.
- The Covid-19 crisis has exacerbated Uganda's fiscal position and development needs. Revenue shortfalls from tax collections constrained fiscal operations of the Government of Uganda. https://www.bou.or.ug/bou/bouwebsite/bouwebsitecontent/publications/StateofEconomy/publications/StateOfEconomyReports/2021/Dec/SOE-report-December-2021.pdf
- Loan growth recovery in the banking sector: Private sector credit (PSC) growth continued in the last quarter of 2021, indicative of the effect of Bank of Uganda's accommodative monetary policy as well as gradual easing of the lockdowns.
- Industry commercial bank's asset quality declined. The increase in non-performing loans across economic sectors reflects the adverse impact of pandemic related to restrictive measures instituted to mitigate the spread of the virus.

How this impacts our strategy.

Our team focused on safeguarding our business, protecting our loan related assets and minimizing our exposure to the impacts of COVID-19. We also restructured a third of our loan book to purposefully manage for the post covid recovery of our affected customers. We acknowledge that the uncertainty of business-related recovery from the pandemic is a key matter of consideration in our business decisions as we move forward.

We used the pandemic as an opportunity to introduce new product offerings in our product suite that underpinned our desire to remain relevant to our clients. Sustainably banking the Government of Uganda is central to our strategy and we showcased our ability to do so with the covid collections at the Entebbe International airport as well managing covid relief funds on behalf of the Ministry of Gender Labour & Social Development.

For more on how this impacts our future prospects see our outlook section on page 77 - 80.

Heighted demands on governance and regulatory context.

- Regulatory and policy developments remain a challenge in our business as the regulatory landscape continues to evolve at an unprecedented rate with increasingly stringent requirements driving up the cost of doing business.
- Observing good corporate governance principles and restoring previously diminished public trust in our brand.
- Introduction of Basel II and its related increase in minimum capital requirements by Bank of Uganda.

How this impacts our strategy.

Much of our board of directors comprises of independent non-executive directors, who exercise oversight of our business activities, thus guarding against corporate failure. As part of our organizational restructuring process, we filled all empty board vacancies in 2021.

Governance is now not merely a matter of compliance for us - it is ubiquitous to our value creation story and one of the strategic pillars in our business. We believe that our responsibility extends beyond compliance and that proactively identifying relevant existing and emerging regulation is critical to ensuring compliance and protection of depositor’s funds.

We conducted a holistic review of all the bank’s policies and as a result refined our compliance, risk management and combined assurance approach. We gauge our progress from our internal audit and risk assessments as well as the independent regulatory assessments of our regulator - Bank of Uganda.
We continue to meaningfully & proactively engage with other regulators that affect our business.

For more information on how we are responding, please see our governance discussion on page 30 - 38.

Demographic shifts and the growing demands of a youthful population for quick and reliable self-service channels.

- The banking & financial services customer base is expected to gradually increase in the years to come.
- The population numbers of new customers will continue to be dominated by the youth who require reliable self-service channels and a predictable customer journey that embeds banking products in their daily lives and lifestyle.

How this impacts our strategy.

Historically, our distribution model relied heavily on brick & mortar branches and agents which served our wide base of small and medium customers and endeared themselves to our country wide agriculture-based customers. However, as a brand we were not well positioned to address the needs of a rapidly growing youthful population, which is our future.

Our strategy is to develop a distribution model that facilitates mass customer acquisition and self-service for our customers. We are confident this will improve our customer experience, retention as well as meet the unique needs of some of our partners. To this end, we have engaged in mutually beneficial partnerships with other non-traditional financial sector players to enhance our client’s customer experience.

For more information on how we are responding, please see our strategy discussion on pages 58 - 72.

Workforce capability & work methods.

- A capable, competent and engaged workforce is the hallmark of banking. Our people are our business.
- Banking remains a dynamic, fast changing & competitive business that requires a huge spectrum of skills and ever-changing employee capabilities to satisfactorily execute strategy and innovate continuously to meet customer needs.
- The pandemic amplified the need for a flexible and engaged workforce.
- The war for talent in the workplace is critical to the sustainability of our business. Employees not only want to grow but thrive and buy into a purposeful and value adding business model.

How this impacts our strategy.

In 2021, we concluded a two-year review of our organizational structure to support our 5-year strategy. We implemented a leaner and more effective organogram, rationalized jobs in line with size, complexity and responsibility.

We embarked on creating a new culture that focused on staff productivity, unity of purpose, customer centricity and values that guide acceptable performance behavior across our business.

We rolled out a performance management system that is consistent with our business strategy and introduced a talent management program.

WE ARE CONFIDENT THIS WILL IMPROVE OUR CUSTOMER EXPERIENCE, RETENTION AS WELL AS MEET THE UNIQUE NEEDS OF SOME OF OUR PARTNERS.

OUR STRATEGIC COMMITMENT IS TO BE A PEOPLE’S BANK WITH A VISION OF BEING A PACE SETTER IN TRANSFORMING LIVES AND LIVELIHOODS.

4

RESPONDING STRATEGICALLY.

CHIEF EXECUTIVE OFFICER'S REVIEW.

Julius Kakeeto.
Managing Director/ CEO.

At the beginning of 2020, as the board, management and staff of PostBank Uganda(PBU), we started a rigorous restructuring strategy to remodel our processes and operations within the entire business. Our mandate, both short and long-term, was to transform PostBank into a market leader in financial inclusion.

We knew this would be a taxing journey that would need a lot of resources, sacrifice, patience, and critical thinking especially by those involved in the transformation at every level.

Because we understood what the transformation meant to us, our customers and other stakeholders, we kept going even when we encountered challenges.

The decision to remodel was taken at a very difficult time. None of us had ever anticipated the risk that COVID-19 would bring to the business itself and the entire economy.

However, because we had the confidence, we kept moving and believed that what we were doing was a step in the right direction. It would not only bring us rewards but would also be in the best interest for our customers and shareholders by extension.

Slightly over a year after embarking on this journey, our vision has become very clear and we are convinced that there is plenty of good returns awaiting us. During the period, we have reorganized our organogram and processes to steer the business towards becoming a financial institution that economically transforms lives and livelihoods through availing affordable and sustainable financial services.

In December 2021, our request to upgrade to Tier I status came to fruition. The Bank of Uganda granted PBU a class 1 license to become a fully-fledged commercial bank further cementing our bid in being a leading financial services provider.

In this Integrated Report, we share the strategic progress to date

36%

LOANS & ADVANCES

loans and advances, grew by 36% to Ushs 454 billion for the first time under the new licence regime.

10%

TOTAL ASSETS

we registered a 10% increase in total assets to Ushs 745 billion.

> IN DECEMBER 2021, OUR REQUEST TO UPGRADE TO TIER I STATUS CAME TO FRUITION. THE BANK OF UGANDA GRANTED OUR REQUEST TO BECOME A FULLY-FLEDGED COMMERCIAL BANK FURTHER CEMENTING OUR BID IN BEING A LEADING FINANCIAL SERVICES PROVIDER.

> NONE OF US HAD EVER ANTICIPATED THE RISK THAT COVID-19 WOULD BRING TO THE BUSINESS ITSELF AND THE ENTIRE ECONOMY. HOWEVER, BECAUSE WE HAD THE CONFIDENCE, WE KEPT MOVING AND BELIEVED THAT WHAT WE WERE DOING WAS A STEP IN THE RIGHT DIRECTION.

and how we are transforming to ensure that we remain relevant to our stakeholders and offer more from what we offer today. During the year, we recorded a number of growth lines, registering a 10.5% increase in total assets to Ushs 745 billion.

During the same period, profits increased by 22% from Ushs 10.07 billion to Ushs 12.24billion while loans and advances grew by 36% to Ushs 454 billion.

The growth registered despite the disruptions brought by the covid 19 pandemic is a testimony in itself and a glimpse of what our stakeholders should expect in the longer term.

In terms of operations, our solid experience and years of banking since 1998, have helped us to consolidate our leadership in a number of subsectors, including agriculture, while exploring new financing areas such as education, unsecured bid bonds and other non-secured financing facilities.

We have also engaged technology such as internet banking and mobile-to-wallet banking, among others to build onto our existing countrywide branch and agent network to bring the best service to our close to 495,000 active customers.

We upgraded our alternative channels; PostApp and PostMobile - *263# to ease customer transactions. We also replaced half of our fleet of ATM dispensers with recycler/intelligent ATMs – that support instant cash deposits and a range of other services.

We currently have over 1,000 permanent employees, spread through a network of 50 branches, 14 mobile vans and 6 contact centres. This is supplemented by a network of 57 Automated Teller Machines (ATMs), 414 PostAgents and more than 2,500 shared agents.

PostBank is a fully owned government financial institution, whose strategic commitment is to be a people's bank with a vision of being a pace setter in transforming lives and livelihoods.

495,000

ACTIVE CUSTOMERS

EXECUTIVE COMMITTEE

Julius Kakeeto.
Chairman.
Chief Executive Officer.

Justine Tumuheki Wabwire.
Secretary.
Chief Legal Officer.

Andrew Kabeera.
Member.
Chief Operating Officer.

Andrew Agaba.
Member.
Chief Business Officer.

Peter Ssenyange.
Member.
Chief Finance Officer.

Judy N Kikonyogo.
Member.
Chief Human Resources and Administration.

Martin Mugisha.
Member.
Chief Credit Officer.

STRATEGY OVERVIEW.

Our purpose is embedded in and enabled by our integrated strategy - **ensuring we offer affordable and sustainable financial services that drive financial inclusion for social economic development.**

We enable individuals and business access useful and affordable financial products and services. Our key strategic focus sectors are the Micro, Small and Medium size Enterprises (MSMEs) and the masses.
Our purpose is to empower and support this sector through our wide distribution network and ICT infrastructure

Our 5 strategic pillars.
Our strategy centers on five strategic pillars, which guide our decision making and execution in our endeavour to create value in the short, medium and long term.

STRATEGIC PILLARS

PERFORMANCE	GOVERNANCE	TECHNOLOGY	PEOPLE	SERVICE
• Delivering exceptional results for Internal and external stakeholders. • Strengthened distribution network.	• Strong compliance culture and acceptable ratings by regulators. • Strengthen risk management framework.	• Deliver a secure online experience for our customers.	• Harnessing our people's skills, abilities and attitudes.	• Putting the customer at the centre of everything we do.

Long term strategic priorities.
Over the long term we strive to be the bank of choice for the agricultural sector, promote savings and deepen access to financial services for the MSMEs. This is in line with Uganda's Vision 2040 strategy and the National Development Program (NDP) III 2020/21-2024/24 for Uganda.

While covid 19 severally impacted this sector and in turn our performance, our long-term view is to contribute to the recovery of MSMEs for these we believe are the backbone of Uganda's economy.

How we measure the delivery of sustained value.
Our long-term primary objective is to increase our returns through improved profitability which in turn allows us to deliver value to our key stakeholders in the long term.

Our primary objective.

Our priority is sustainable business growth. We believe our growth as a company enables us to deliver to our key stakeholders.

How we will get there.

While our long-term goal is to increase our total return through productivity and return on equity, we understand that value is created within the context of society in which we operate.

We are committed to creating broader value for the communities in which we operate and our key stakeholders.

PERFORMANCE AGAINST OUR STRATEGY.

We use relevant key performance indicators (KPIs) to measure our performance against our strategic pillars. Our scorecard sections on pages 64 - 69 detail how we are managing our various material matters.

Performance.

Overview

Why it matters most.	Resource allocation.	Related material themes.	How this contributes to our long -term objectives.
- Delivering sustainable returns to our stakeholders depends on the extent to which we have made strategic progress in achieving client focus, employee engagement, risk and conduct as well as operational excellence.	Capitals employed: FC MC HC SRC IC		We primarily deploy financial capital from our shareholders to grow the number of Ugandans with access to financial services in line with Vision 2040 & National Development Plan Three (NDPIII). This coupled with continued efficiency & innovation in how we deliver our product suite to our clients drives sustainable profitability of our business.

Unpacking our progress - How we track our progress.

KPI (long term).	Target.	Why this KPI is important.	How we performed.
- We seek to continuously improve efficiency of our operations by tackling low productivity in branches, inefficient processes, un -optimized product suite and ultimately cost management. - To take a firm leadership in Agri-business financing (production by both commercial and small scale farmers, storage, agro-processing & trade). - To be a leading bank in mass payments & develop a distribution model that facilitates mass customer acquisition. - Graduation to a tier 1 commercial banking license to meaningfully engage with the interbank liquidity market and provide cash management solutions to our business & SME clients.	Target:100% achievement of KPI.	We serve a very diverse clientele in Uganda. Our goal is to lead in transforming lives and livelihoods through affordable financial services. We must therefore build a sustainable business that is relevant to Ugandans and continues to deliver affordable financial services in an efficient manner.	**39.6%** ▼

2021 outcomes (short to medium term).			**Priorities looking ahead.**
Delivering on these key measures creates and preserves value for stakeholders			- Strengthen the distribution network and digital infrastructure to serve Ugandans in hard-to-reach areas.
	% of performance objective achieved.	**Value indicator.**	
On boarded 116 out of 406 targeted Agriculture ecosystem players.	29.0%	−	
Obtained a commercial bank tier 1 license from Bank of Uganda	100.0%	+	
Received accreditation from PPDA that removed inefficiencies from over 10 procurement processes.	100.0%	+	
Acquire 2000 agency banking agents country wide.	2.7%	−	
Open 5 new branches in 2021.	20%	−	
Enable mass customer acquisition and transaction processing.	0.0%	−	
Strengthen branch productivity	64.3%	=	

Outcomes:	Positive outcome ▲	Negative outcome ▼	In progress ■
Value indicator:	Value preserved =	Value created +	Value eroded −

Governance and Risk.

Overview			
Why it matters most.	**Resource allocation.**	**Related material themes.**	**How this contributes to our long -term objectives**
A critical pillar that anchors our daily to operations. We work in a highly regulated industry and we take our fiduciary responsibilities seriously at all levels in the organization.	Capitals employed: HC FC IC MC		Strong and effective corporate governance helps to cultivate a culture of integrity, leading to positive performance and a sustainable business overall.

Unpacking our progress - How we track our progress.

Governance and Risk.

KPI (long term).	Target.	Why this KPI is important.	How we performed.
• Strengthen board governance. • Aim for satisfactory rating by regulators. • Work to reduce operational risk. • Strengthen cyber security.	Target:100% achievement of KPI.	• A fully constituted board is a critical for the bank. • We are a Bank of Uganda supervised financial intuition. A satisfactory rating demonstrates the regulator's confidence in our governance. • Operational risk was flagged highest in our risk self-assessments. • Cyber security is critical as we overhaul our technology infrastructure and engage in mutually beneficial partnerships with third parties to promote financial inclusion.	76.5% ▲

2021 outcomes (short to medium term).			Priorities looking ahead.
Delivering on these key measures creates and preserves value for stakeholders			• Improve risk management: Attain an overall acceptable internal and external risk and compliance rating to improve the risk and compliance culture and bank's image. • Ease the storage and retrieval of all customer application documentation to enhance internal and external compliance with regulations.
	% of performance objective achieved.	Value indicator.	
Fill all empty board vacancies.	100.0%	+	
Update 80% of the bank's customer records with the bank.	61.0%	=	
Achieve an overall acceptable risk rating.	50.0%	=	
100% online storage of customer KYC documentation	0.0%	−	
Close all regulatory audit findings.	96.0%	+	

Outcomes:	Positive outcome ▲	Negative outcome ▼	In progress ■
Value indicator:	Value preserved =	Value created +	Value eroded −

Technology.

Overview.

Why it matters most.	Resource allocation.	Related material themes.	How this contributes to our long -term objectives.
Over the next 5 years, our strategy execution, customer experience and distribution channels are heavily reliant on our ability to provide a reliable, secure and robust IT platform and related digital capabilities.	Capitals employed: HC FC IC MC		Digital technology platforms ease and increase clients access to our services while reducing costs and improving client experience.

Unpacking our progress - How we track our progress.

KPI (long term).	Target.	Why this KPI is important.	How we performed.
• A platform and digitized distribution network that efficiently processes 1 million transactions per day. • Migrate 75% of customers to self-service channels in line with expected customer preference and behavior.	Target:100% achievement of KPI.	Digital technology is integral to the achievement of our long-term goals. New data and digital platforms will accelerate and transform how we think about innovation and creativity in our service offering. These smart banking services require stable technology platforms.	53.5% ■

2021 outcomes (short to medium term).

Delivering on these key measures creates and preserves value for stakeholders.

	% of performance objective achieved	Value indicator.	Priorities looking ahead.
Attain a low threshold of unauthorized systems access	100.0%	+	• Upgrade of the bank's ATM switch. • Upgrade the bank's core banking system to efficiently to serve over two million customers. • Enhance and transform data analytics. • Strengthen cyber security.
Achieve a system security exception rate of less than 2%	53.0%	=	
Ensure nil unidentifiable devices logged onto the bank's internal networks	67.0%	=	
Resolve all critical and high-risk security issues from internal assessments	92.0%	+	
Complete 98% of all planned disaster recovery tests	85.0%	+	
Develop business intelligence tool	0.0%	−	
Ensure an average of 98% uptime for critical IT systems applications.	83.8%	+	
Deliver an ATM switch upgrade.	0.0%	−	

Outcomes:	Positive outcome ▲	Negative outcome ▼	In progress ■
Value indicator:	Value preserved =	Value created +	Value eroded −

People.

Overview.

Why it matters most.	Resource allocation.	Related material themes.	How this contributes to our long -term objectives.
Our staff make our business. Their resilience, skill, competence, innovative spirit and care for our brand ensure that our clients' needs are met. The wellbeing, development and professional growth of our staff is a priority to us for it ensures the long-term sustainability of our business.	Capitals employed: HC FC IC		• Improved staff productivity directly impacts strategy execution and the ensuing profitability of the bank. • Make Postbank a great place to work. The war for talent in the marketplace will only intensify as customer needs and preferences change. It is important that we attract talent to work for us.

Unpacking our progress - How we track our progress.

KPI (long term).	Target.	Why this KPI is important .	How we performed.
• Roll out a performance management that supports the business plan. • Simplify & clarify staff development. • Create a new culture on staff productivity, organization wide values & unity of purpose. • Create lean & effective organization structure in line with business strategy.	Target:100% achievement of KPI.	In 2020, Postbank started on a new strategic journey to aimed at changing how the bank was governed and how it met the unique needs of its shareholders and clients. This required a new look at its human capital practices and intent.	53.4% ■

2021 outcomes (short to medium term).

Delivering on these key measures creates and preserves value for stakeholders.

	% of performance objective achieved.	Value indicator.
Achieve an average bankwide appraisal score of 80%.	70%	=
Setup at least 2 reward schemes to motivate employees	16.7%	−
Retain at least 95% of the banks top performers annually.	98.6%	+
Roll out a talent management program.	0.0%	−
Roll out a leadership management program.	0.0%	−
Roll out a graduate trainee program.	0.0%	−

Priorities looking ahead.

- Improve employee development and engagement through talent management programs and structured paths for all performing employees.
- Improve performance management.

Outcomes:	Positive outcome ▲	Negative outcome ▼	In progress ■
Value indicator:	Value preserved =	Value created +	Value eroded −

Service.

Overview.

Why it matters most.	Resource allocation.	Related material themes.	How this contributes to our long -term objectives.
Satisfying our customers' needs is central to our purpose as a business and corporate citizenry. Our goal is to offer convenience, speed, reliability and good experience to all our customers regardless of the touchpoint used.	Capitals employed: FC MC HC SRC IC	● ● ● ● ●	Meeting customer needs ensures the long term sustainability of our business.

Unpacking our progress - How we track our progress.

KPI (long term).	Target.	Why this KPI is important.	How we performed.
• Deepen customer service culture throughout the bank. • Standardized service delivery across all deliver channels. • Develop 24hours/7 days a week customer contact centre capability.	Target:100% achievement of KPI.	Our history is one of an unresponsive and difficult service offering. We would like to change that by listening to our customers and purposefully resolving all issues they raise with us. Our customers are extremely important to us. We aim to transform client experience by providing consistent exceptional client and partner experiences in all our customer touchpoints via an expanded range of innovative solutions.	77.7% ▲

2021 outcomes (short to medium term).			Priorities looking ahead.
Delivering on these key measures creates and preserves value for stakeholders.			Enforce service delivery and excellence in the following areas; • Turnaround time. • Issue resolution & customer experience.
	% of performance objective achieved.	Value indicator.	
Achieve 100% of the onboarding and transaction processing service standards.	92.7%	+	
Achieve 100% of the loan TAT targets set out in the service standards of the bank.	2.0%	−	
Implement & achieve a Net promoter score of 10.	0.0%	−	
Resolve 80% of all complaints received within 48hours.	84.0%	+	
Serve a daily average of 1000 customers through the customer contact center.	47.1%	−	

Outcomes:	Positive outcome ▲	Negative outcome ▼	In progress ■
Value indicator:	Value preserved =	Value created +	Value eroded −

OUR **TRADE-OFFS.**

Unpacking the tough choices we made.

We aim to create sustained value for our stakeholders. To achieve this, we continuously review how we allocate our capitals - the resources and relationships we rely on - to ensure that we are making the best use thereof.

Operating in a capital constrained context which has been exacerbated by the impact of the covid-19 pandemic on the Ugandan economy, we respond with agility to position our business for future growth and resilience.

This requires an agile and dynamic approach to decision making to balance the (at times) conflicting needs of our stakeholders while ensuring the long-term sustainability of our business.

Balancing short-term performance expectations and long-term value creation

Our over arching trade-off is navigating short-term performance expectations against long-term value creation. This primary trade-off is present in many critical decisions we make. Some of the key material decisions are highlighted below.

Building staff capacity and investments in human capital.

Why this matters: Our staff capability is pivotal to the sustainability of our business.

Stakeholders in	Capitals in	Activities	Capitals out	Long term objectives	Stakeholders out
- Shareholders [capital providers]. - Suppliers [Various training institutions & apprenticeships]. - Employees.	FC [Financial Capital]. IC [Intellectual Capital].	Build staff capacity through various training interventions. We doubled our training spend in 2021 to Ushs 626m from Ushs 395m in 2020. The board approved a training budget of Ushs 1.2bn to bolster this effort in 2022.	IC [Intellectual capital]. HC [Human capital]. Knowledge and skills.	Improved staff productivity [Achieve and average bank appraisal score of 80%]. Annual revenue per employee of at least Ushs 25m.	Employees. Shareholders [Capital providers].

Strategic objectives	Capitals impacted	Relevant material theme	Relevant UN SDGs
	FC IC HC		3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH

Investments in cyber security, upgrade to our Core Banking & ICT infrastructure to provide a secure online experience & a platform that facilitates mass transactability of our customers.

Why this matters:

A secure online experience for a fast growing customer banking population & partner payments

Stakeholders in	Capitals in	Activities	Capitals out	Long-term objectives	Stakeholders out
• Shareholders [capital providers]. • Suppliers [IT services]. • Employees	FC [Financial Capital]. IC [Intellectual Capital]. Expert capability. HC [Human capital]. Knowledge and skills.	The board has approved Investments in • Core banking upgrade (Ushs12.5bn • ATM switch upgrade (Ushs 2.5bn) • Cybersecurity (Ushs 2.8bn). • Data Centre infrastructure (Ushs 2bn). • Wallet (Ushs 11.3bn).	FC [Financial Capital]. SRC [Social & relational capital]. IC [Intellectual capital]. HC [Human capital]. Knowledge and skills.	• Targeted ROE (attractive returns). • Bank of choice for MSME customers. • Innovative solutions for financial inclusion. • Employer of choice.	• Shareholders [capital providers]. • Customers. • Strategic partners & customers. • Employers.

Strategic objectives	Capitals impacted	Relevant material theme	Relevant UN SDGs
	FC IC HC SRC		1 NO POVERTY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 17 PARTNERSHIPS FOR THE GOALS

Revamp and expansion of our distribution network.

Why this matters:

While we believe in reaching all Ugandans with financial services, we acknowledge that 75% of Uganda's GDP is in Kampala & Wakiso districts in which we are historically poorly represented. In executing our 5 year strategy, we are investing to double our branch network in the right areas and revamp our ATM fleet and existing branches in order to serve our customers better.

Stakeholders in	Capitals in	Activities	Capitals out	Long-term objectives	Stakeholders out
• Shareholders [capital providers]. • Suppliers [IT services]. • Employees	FC [Financial Capital]. IC [Intellectual Capital]. Expert capability. HC [Human capital]. Knowledge and skills.	The board has approved Investments in; • 65 ATM recyclers - (Ushs8.5bn). • Open, revamp and relocate a total of 20 branches (Ushs 6.3bn).	FC [Financial Capital]. SRC Social & relational capital. MC [Manufactured capital].	Targeted ROE (attractive returns). A much-improved customer experience. A revamped distribution network that aids financial inclusion.	• Shareholders [capital providers]. • Customers.
Strategic objectives	**Capitals impacted**	**Relevant material theme**	**Relevant UN SDGs**		
	FC IC HC SRC		1 NO POVERTY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	17 PARTNERSHIPS FOR THE GOALS

CHIEF FINANCE OFFICER'S REVIEW.

Peter Ssenyange.
Chief Finance Officer.

FINANCIAL OVERVIEW.

21.0%
Gross Revenue
Ushs 144.5 billion

22.0%
Profit after tax
Ushs 12.2 billion

12.9%
Customer Deposits
Ushs 507 billion

10.5%
Total Assets
Ushs 745 billion

2.0%
NPL ratio
10.3% (2020: 10.1%)

36.0%
Customer loans & Advances
Ushs 454 billion

5.0%
Return on Equity
10.4% (2020: 9.9%)

Macro- economic Synopsis

2021 was another unique year characterised by the second wave of Covid-19 pandemic with the governments world over taking vaccination initiatives while continuing to enforce the standard operating measures to contain the spread of the virus. Several countries underwent another round of lockdown and Uganda was not spared with most economic sectors especially those in intensive contact sectors like education and hospitality being adversely affected.

Bank of Uganda and Finance Ministry adopted expansionary monetary and fiscal policies respectively at the onset of Covid 19 in 2020 through 2021 to foster economic recovery from Covid 19 shocks. Inflationary pressures remained modest during the year and closed at 2.9% for both annual headline and core inflation despite the continued rise in food, energy, fuel, and utilities prices. The downturn from 3.7% and 5.8% in 2020 for annual headline and core inflation respectively was largely driven by lifting of travel restrictions. The Central Bank Rate was maintained stable for the largest part of the year at 6.5% to contain commercial interest rate pressures and enhance recovery from the Covid 19 economic growth setbacks.

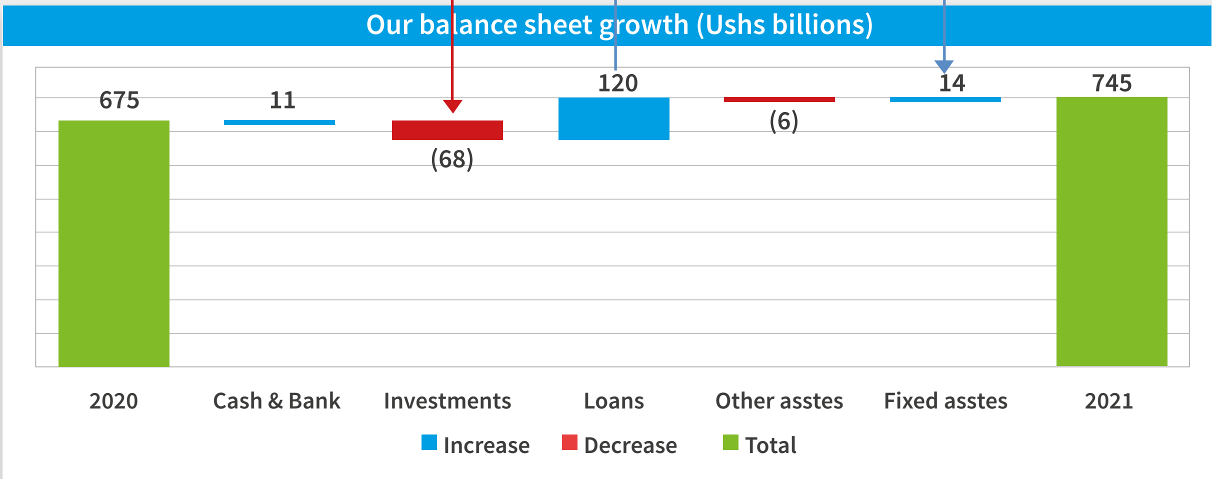
> “
>
> INFLATIONARY PRESSURES REMAINED MODEST DURING THE YEAR AND CLOSED AT 2.9% FOR BOTH ANNUAL HEADLINE AND CORE INFLATION DESPITE THE CONTINUED RISE IN FOOD, ENERGY, FUEL, AND UTILITIES PRICES.

Our balance sheet growth 2020 to 2021 (Ushs billion).

Investments: ▼
Historically, we have used our investment book to manage excess liquidity in our business. In 2021 we made a trade off – we directed all funding from investments that matured into our fast growing loan book. This was partly to counter the rapidly dropping money market rates.

Investment in infrastructure: ▲
We commenced the upgrade of our core banking system and ATM switch to provide a stable and secure platform for our customers.

Loans and advances: ▲
While the second lockdown constrained economic activity across various sectors, the negative impact was not as harsh in 2021 as in 2020. The Central Bank extended the credit relief measures to the third quarter of the year and thereafter for another year for credit exposure in the education and hospitality sectors. Considering this business environment, we remained resilient and cautiously pushed for loan asset growth in the less affected sectors like agriculture. We further expanded our loan offering to the workplace banking space to attract the salaried and personal clients hence the 36% notable growth in the loan assets.



Deposit Liabilities

Due to the influx of a new Covid 19 variant in the year and its faster spread , the government of Uganda instituted mandatory covid 19 testing for all travellers entering the country and imposed two lockdowns in 2021. Ultimately, these actions slowed down economic activity and most of our customers invested in our fixed deposit offering as they waited for the economy to re-open.

Our profitability performance: Year on year comparison.

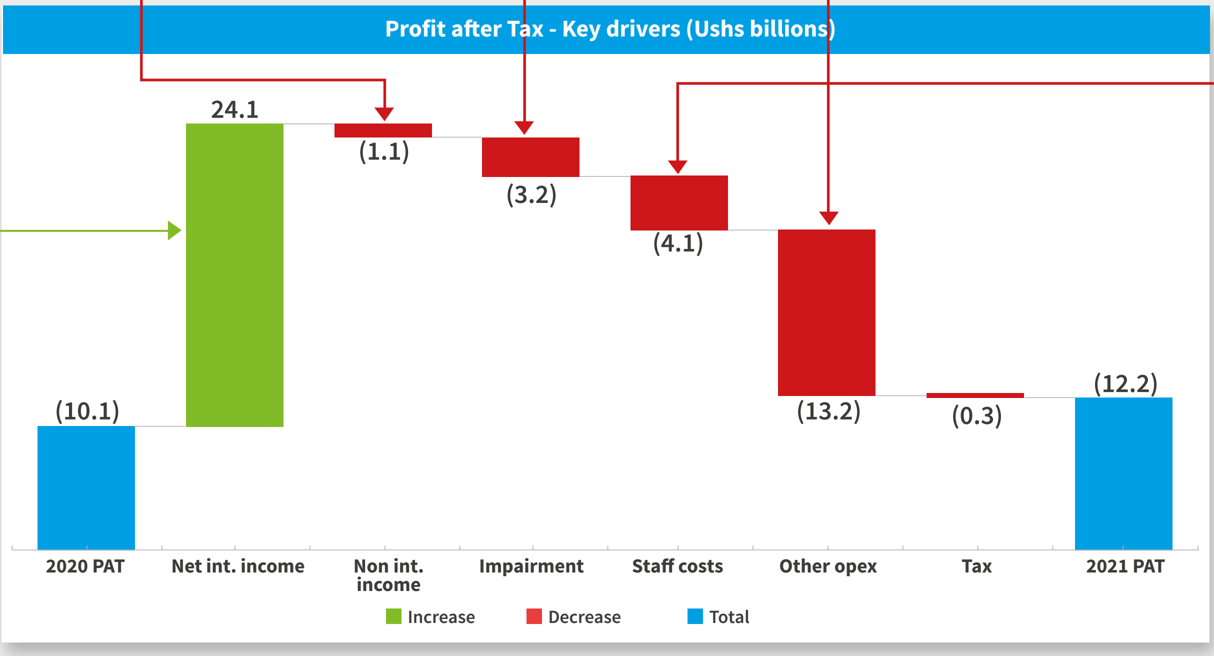
Net interest income: Driven by growth in loan book. Our Workplace banking segment was a key contributor to this growth.

Non-interest income: COVID 19 and the impact of two suffocating lockdowns adversely affected fee growth.

Credit impairment: The Central Bank extended the credit relief measures to the third quarter of the year 2021 with further considerations for credit exposure in the education and hospitality sectors until September 2022. Nonetheless Covid 19 & related containment measures continued to drive delinquency in our loan book as clients struggled to service their loans.

Staff costs: We strengthened our workforce after a two-year organization wide restructuring process. We also continued to support the welfare of our staff amid the Covid 19 pandemic.

Operating Expenses. The Bank continued to heavily invest in infrastructure to support digitisation and overall efficiency of our operations in response to customer needs and further our strategic goals. We upgraded our e-suit mobile banking and agency banking platforms as well as our biometric systems. To drive business, we reviewed our sales incentive and sales workforce facilitation. We also invested in advertising and marketing activities to position and strengthen our brand.



Our focus into 2022 and beyond:

Our drive to transform lives and livelihoods through affordable financial services , requires disciplined capital allocation to strategic initiatives (see our tradeoffs on page 70) that will drive our five year strategy to compete, innovate and grow; while meeting the new regulatory BASEL II capital requirements.

Our performance into FY2022 may be tempered by a weak macroeconomic outlook and the threat of a resurgent COVID 19 third wave but we do expect business volumes to recover in the second half of the year. We expect a tougher business environment (see our outlook section on pages 77 - 80) as we navigate the post Covid impact on our customers' lives and businesses. However, I believe we are well positioned grow the bank and meet the needs of our key stakeholders.

5

OUR OUTLOOK.

OUR STRATEGIC COMMITMENT IS TO BE A PEOPLE'S BANK WITH A VISION OF BEING A PACE SETTER IN TRANSFORMING LIVES AND LIVELIHOODS.

OUR **OUTLOOK.**

This section of our report answers the question: What challenges and uncertainties is PostBank Uganda Limited likely to encounter in pursuing its strategy and what are the potential implications for its business model and future performance?

Our outlook is driven by the material matters we identified from our materiality determination process (see page 10), our strategic direction (see pages 63 - 72) as well as the availability, quality, and affordability of the key capitals on which we rely to create value in the short, medium and long term.

Our long-term vision is clear. We aim to be a pace setter in transforming lives and livelihoods through affordable and sustainable financial services.

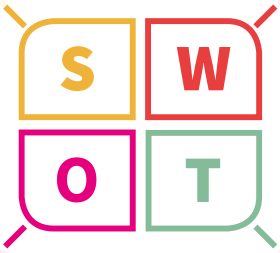
Our SWOT Analysis.

STRENGTHS.

- Market leader in agribusiness financing by volumes.
- Wide geographical coverage and distribution network.
- Increased confidence from Government stakeholders.
- Strong development partners
- Vast experience in mass payments to Persons of Concern (PoCs).
- Wide customer base.
- China Union Pay (UPI) sole issuer in Uganda.
- Flexible solutions to MSMEs.

WEAKNESSES.

- Low utilization of digital platforms.
- Manual and lengthy service and product processes.
- A high cost to income ratio.
- Outdated technology.
- Inadequate human resources capacity.
- Limited experience in treasury operations, relationship management and transaction banking.
- Un-optimized infrastructure.



OPPORTUNITIES.

- The unbanked and growing population.
- The changing customer demographics and preferences.
- Card acquiring and online payments.
- Underserved agricultural value chain.
- Deposits in GoU agencies and Local Government (LG) institutions.
- Mutually beneficial partnerships with Telcos and FinTech's.
- Rapid urbanization.
- Spill-off SMEs from the oil and gas investments.
- Upcoming government projects.
- Mobile phone Banking penetration.

THREATS.

- Government preference to Bank with private financial institutions.
- New regulations and cost of compliance.
- Heightened competition from nontraditional market players in the industry.
- Cyber security risk.
- Rapid advancements in technological innovation.
- Demographic shifts.
- Increased customer preference for quick and reliable self-service channels.
- Climate change.
- The war for talent.

Critical success factors, impact and implications for our future performance.

Materiality themes.	5 Key material matters driving our outlook.	How this impacts us.	Expected impact on relationships & capitals we rely on to deliver our strategy and performance.	Availability, quality and affordability of capitals.	Possible impact on our short to medium term performance.
	Managing for covid recovery.	While the pandemic is expected to wane, its impact on MSMES is expected to drag on for years to come. MSMES – our key customers are particularly vulnerable to the tail winds of the pandemic. While we restructured a third of our loan book, we expect an increase in client loan defaults in the short term.	FC [Financial Capital] ▼ .	While we are confident in the good will of our customers and effectiveness of our rehabilitation and recovery process, we acknowledge that this might continue to adversely impact our performance in the short and medium term through rising loan impairment.	👎
	Macroeconomic & fiscal uncertainty	Covid adversely impacted Government revenue and inflows at a time we required additional capital injection from our sole shareholder.	FC [Financial Capital] ▼ .	Operating in a capital constrained enviroment driven by regulatory reforms requires prudent deployment of financial resources.	👎
	Increased capitalisation from Goverment of Uganda to meet future capital regulatory requirement of Ushs 150billion. (Present: Ushs 25billion)	Increased capital allows us to accelerate investments in customer enabling infrastructure that enables timely credit access to MSMES.	FC [Financial Capital] ▲	Capital injection from Government of Uganda that enables us to invest in targeted sectors and allows customer access to credit at affordable rates.	👍

		As a licenced Tier 1 commercial bank we must comply with this requirement.	SRC [Social & relational capital]. ▲	We seek to incorporate legitimate stakeholders needs in our decision making and demonstrate behavior that progressively earns trust. Refer to our stakeholder reporting on pages 44 - 48	👍
	Embrace emerging technologies and partnerships with fintechs to respond to the needs of an unbanked and youthful population.	Represents an opportunity to meet the banking needs of the financially excluded customer as well as provide an efficient distribution channel for existing customers.	▲ SRC [Social & relational capital]. ▲ MC [Manufactured capital]. ▲ IC [Intellectual capital]. ▼ FC [Financial Capital] Investments in client infrastructure.	Enhanced capabilities to deliver value to customers and partners.	👍
	Talent management & investment in our human capital	Sufficiently addressing our human resources capacity is a critical enabler for our strategic execution.	HC [Human capital]. ▲	As a bank under going tranformation, it is critical we attract and retain the right skills to drive & execute our strategic goals.	👍

Looking Ahead.

Looking ahead, we remain focused on prudent balance sheet management to create a platform for sustainable growth and earnings for the future. We recognise the urgent need to develop new revenue streams and we are making good progress in terms of scaling our digital payments, investing in our people and strengthening our partnerships. We remain focused on the diligent allocation of capital to fund expansion as well as enabling our techonolgy infrastructure.

We expect to continue operating within the confines of a hostile macroeconomic environment in the short- to medium-term in addition to the uncertain post covid impact on various client segments in our portfolio. Therefore, our efforts to optimise our deployment of capital will continue alongside careful lending practices.

We believe these efforts will help us attain sustainable business growth and usher in a new dawn for Postbank Uganda Limited.

> **WE REMAIN FOCUSED ON THE DILIGENT ALLOCATION OF CAPITAL TO FUND EXPANSION AS WELL AS ENABLING OUR ICT INFRASTRUCTURE.**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FINANCIAL STATEMENTS.

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6292
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CORPORATE
INFORMATION.

DIRECTORS.

NAMES	DESIGNATION
Mr. Andrew Otengo Owiny.	Board Chairperson (Effective 1 February 2021).
Mrs. Farida Mukasa Kasujja.	Board Member.
Mr. Julius Kakeeto.	Managing Director.
Mr. Andrew Kabeera.	Executive Director.
Ms. Beatrice Lagada.	Board Member.
Mr. Lawrence Kasenge.	Board Member (Ag. Board Chairperson until 31 January 2021).
Mr. Francis Onebe.	Board Member.

LAWYERS.
Arcadia Advocates
3rd Floor Acacia Place
Plot 6 Acacia Avenue
P. O. Box 28997
Kampala.

REGISTERED OFFICE.
Post Bank Head Office Building
Plot No. 4/6, Nkrumah Road
P. O. Box 7189
Kampala.

AUDITOR.
The Auditor General
Office of the Auditor General
Finance building, Apollo Kaggwa Road
P. O. Box 7083
Kampala - Uganda.

DELEGATED AUDITOR.
PricewaterhouseCoopers
Certified Public Accountants
Plot 1 Colville Street
Communications House
P. O. Box 8053
Kampala

BANKERS.

Stanbic Bank Uganda Limited 17 Hannington Road P. O. Box 7131 Kampala.	CitiBank Uganda Limited Centre Court, Plot 4 Ternan Avenue Nakasero P. O. Box 7505 Kampala.	Equity Bank Uganda Limited Plot 34 Church House Kampala Road P. O. Box 10184 Kampala.
Centenary Rural Development Bank Limited Entebbe Road P. O. Box 1892 Kampala.	Bank of Africa Uganda Limited Plot 45 Jinja Road P. O. Box 2750 Kampala.	Sparkasse Aachen Muenster Platz 7-9 52062 Aachen Deutschland / Germany.

DIRECTORS' REPORT.

CORPORATE PROFILE.

Post Bank Uganda Limited was established in accordance with the Communications Act of 1997. The Bank was incorporated in February 1998 as a limited liability company to take over the operations of the former Post Office Savings Bank which had been in existence since 1926.

Post Bank Uganda Limited is 100% owned by the Government of Uganda and is run by the Board of Directors. Its day-to-day operations are run by a management team headed by the Managing Director.

1. PRINCIPAL ACTIVITIES.

The Bank is engaged in the business of Banking and the provision of related services as licensed under the Financial Institutions Act, 2004 (as amended in 2016) for Tier II Financial Institutions until 2, December 2021 when the Bank was issued a licence to operate as a Tier 1

2. RESULTS.

The results for the year are set out on page 94 - 97.

3. DIRECTORS' AND THEIR BENEFITS.

The Directors who held office during the year and up to the date of this report are indicated on page 86.

During the current year and up to the date of this report, no Director has received or become entitled to receive any benefit other than Directors' fees and amounts receivable by the executive Directors under their employment contracts. The aggregate amount of emoluments for Directors' services rendered during the year is disclosed under Note 36 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.

4. COMPANY SECRETARY.

Justine Tumuheki Wabwire
Post Bank Head Office Building
Plot No. 4/6, Nkrumah Road
P. O. Box 7189
Kampala.

5. DIVIDENDS.

The Directors do not recommend the payment of a dividend for the year (2020: Nil).

6. AUDITOR.

Under the provisions of the Constitution of the Republic of Uganda, the financial statements are required to be audited once every year by the Auditor General of Uganda or an auditor appointed by him to act on his behalf. For the year ended 31 December 2021, PricewaterhouseCoopers Certified Public Accountants was appointed to act on behalf of the Auditor General.

7. APPROVAL OF FINANCIAL STATEMENTS.

The financial statements were approved by the Board of Directors on 28 February 2022.

BY ORDER OF THE BOARD

____

COMPANY SECRETARY

STATEMENT OF
DIRECTORS' RESPONSIBILITIES.

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

The Directors are ultimately responsible for the internal control of the Bank. The Directors delegate the responsibility for internal control to management. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of the Bank's assets. Appropriate accounting policies supported by reasonable and prudent judgements and estimates, are applied on a consistent basis and using the going concern basis. These systems and controls include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards in the manner required by the Ugandan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Bank and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Bank's ability to continue as a going concern and are satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The financial statements were approved by the Board of Directors on 28 February 2022 and signed on its behalf by:

____
Director

____
Director

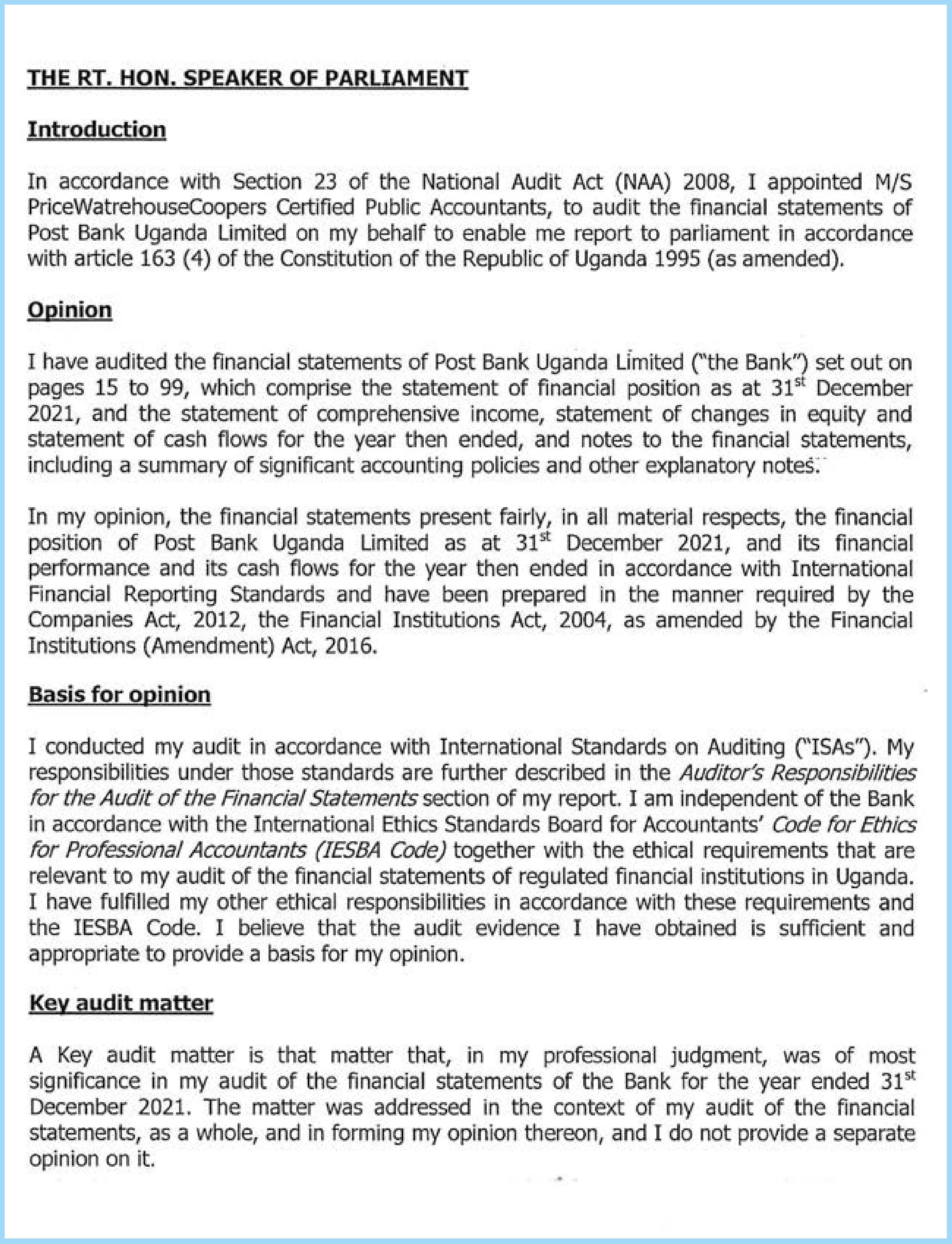
____
Managing Director

____
Secretary

REPORT OF

THE AUDITOR GENERAL OF UGANDA.

ON THE FINANCIAL STATEMENTS OF POSTBANK UGANDA LIMITED FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021.



THE RT. HON. SPEAKER OF PARLIAMENT

Introduction

In accordance with Section 23 of the National Audit Act (NAA) 2008, I appointed M/S PriceWatrehouseCoopers Certified Public Accountants, to audit the financial statements of Post Bank Uganda Limited on my behalf to enable me report to parliament in accordance with article 163 (4) of the Constitution of the Republic of Uganda 1995 (as amended).

Opinion

I have audited the financial statements of Post Bank Uganda Limited ("the Bank") set out on pages 15 to 99, which comprise the statement of financial position as at 31st December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

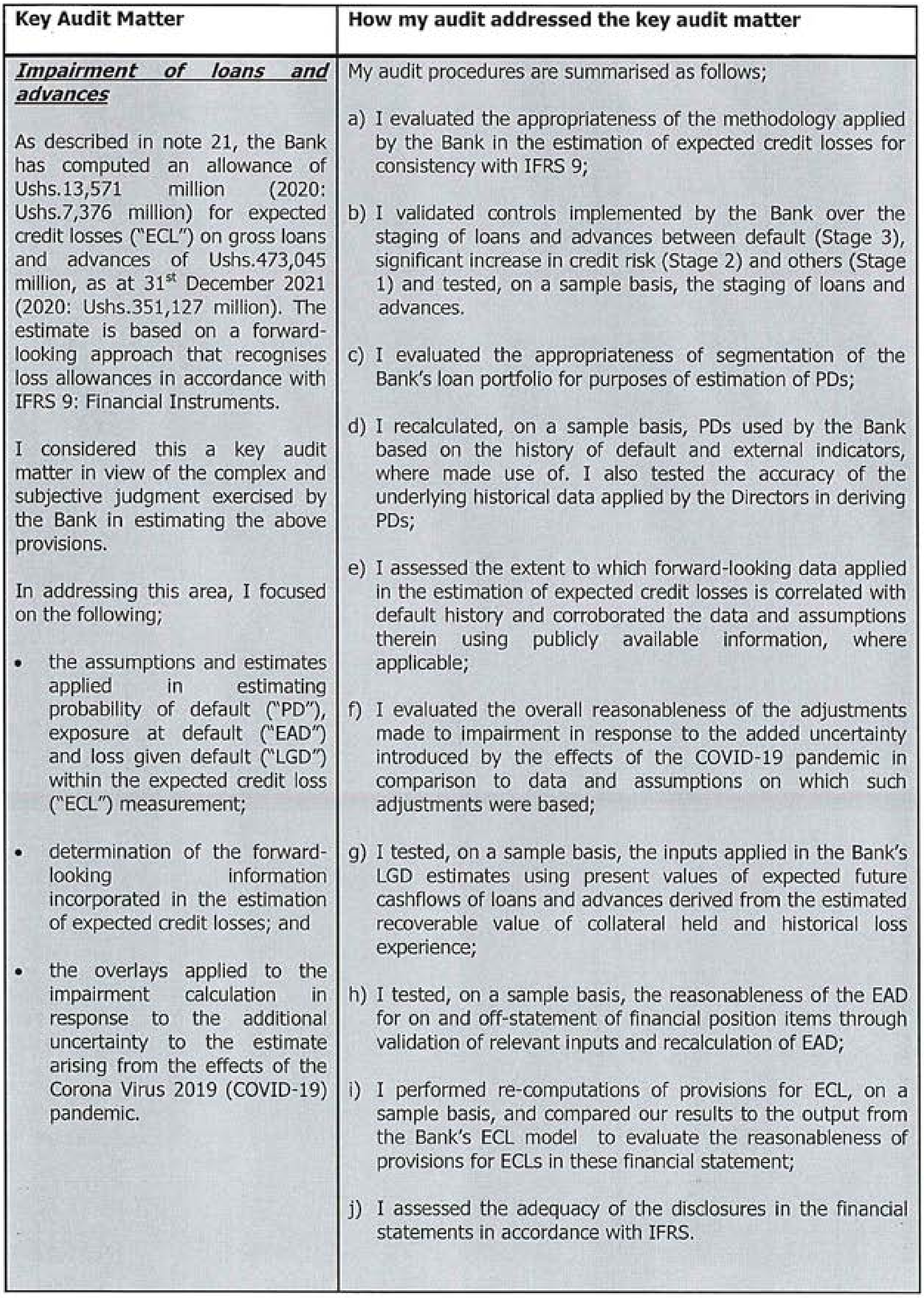
In my opinion, the financial statements present fairly, in all material respects, the financial position of Post Bank Uganda Limited as at 31st December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Companies Act, 2012, the Financial Institutions Act, 2004, as amended by the Financial Institutions (Amendment) Act, 2016.

Basis for opinion

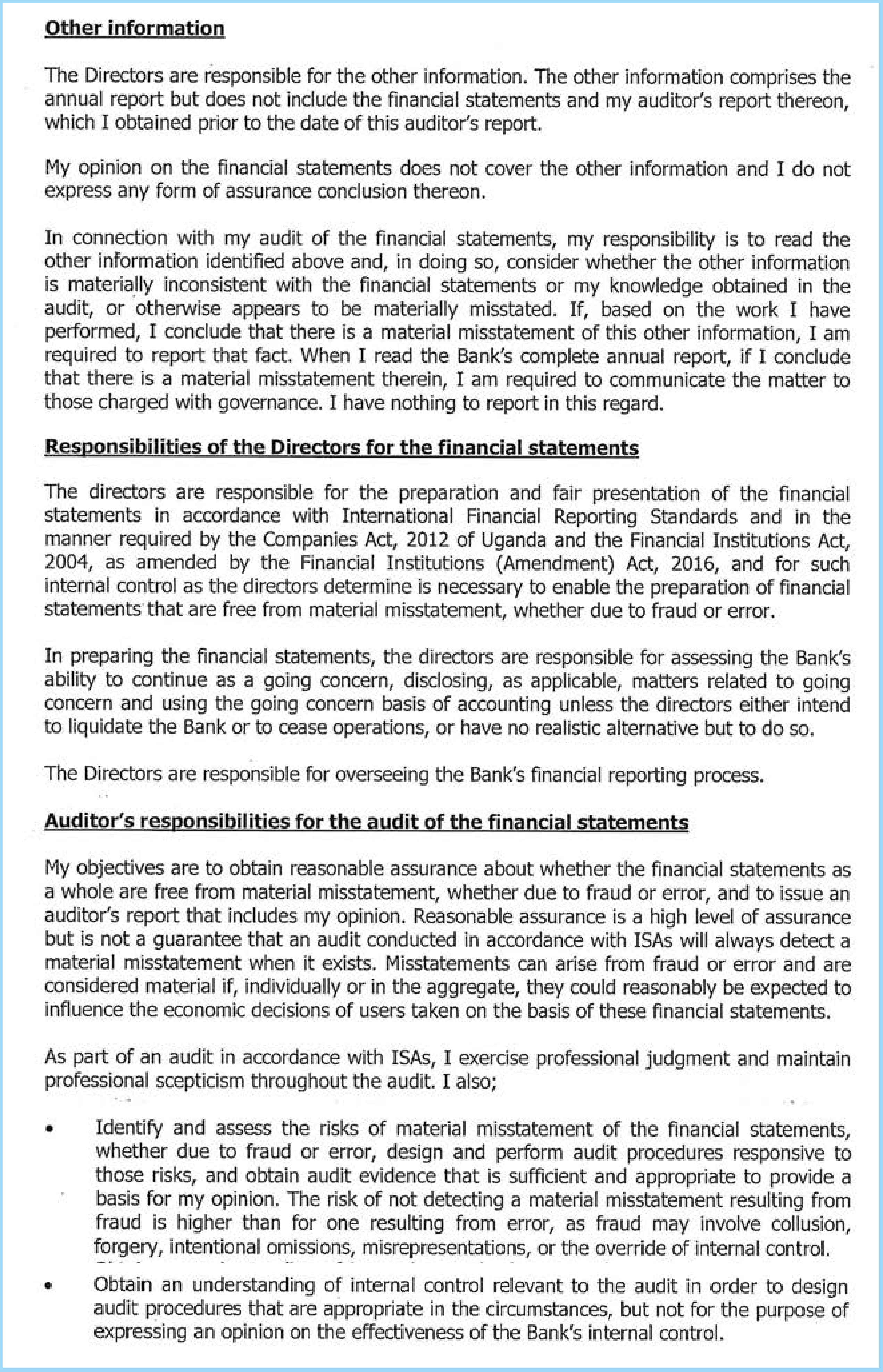
I conducted my audit in accordance with International Standards on Auditing ("ISAs"). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code for Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to my audit of the financial statements of regulated financial institutions in Uganda. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matter

A Key audit matter is that matter that, in my professional judgment, was of most significance in my audit of the financial statements of the Bank for the year ended 31st December 2021. The matter was addressed in the context of my audit of the financial statements, as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on it.



Key Audit Matter	**How my audit addressed the key audit matter**
Impairment of loans and advances As described in note 21, the Bank has computed an allowance of Ushs.13,571 million (2020: Ushs.7,376 million) for expected credit losses ("ECL") on gross loans and advances of Ushs.473,045 million, as at 31st December 2021 (2020: Ushs.351,127 million). The estimate is based on a forward-looking approach that recognises loss allowances in accordance with IFRS 9: Financial Instruments. I considered this a key audit matter in view of the complex and subjective judgment exercised by the Bank in estimating the above provisions. In addressing this area, I focused on the following; • the assumptions and estimates applied in estimating probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") within the expected credit loss ("ECL") measurement; • determination of the forward-looking information incorporated in the estimation of expected credit losses; and • the overlays applied to the impairment calculation in response to the additional uncertainty to the estimate arising from the effects of the Corona Virus 2019 (COVID-19) pandemic.	My audit procedures are summarised as follows; a) I evaluated the appropriateness of the methodology applied by the Bank in the estimation of expected credit losses for consistency with IFRS 9; b) I validated controls implemented by the Bank over the staging of loans and advances between default (Stage 3), significant increase in credit risk (Stage 2) and others (Stage 1) and tested, on a sample basis, the staging of loans and advances. c) I evaluated the appropriateness of segmentation of the Bank's loan portfolio for purposes of estimation of PDs; d) I recalculated, on a sample basis, PDs used by the Bank based on the history of default and external indicators, where made use of. I also tested the accuracy of the underlying historical data applied by the Directors in deriving PDs; e) I assessed the extent to which forward-looking data applied in the estimation of expected credit losses is correlated with default history and corroborated the data and assumptions therein using publicly available information, where applicable; f) I evaluated the overall reasonableness of the adjustments made to impairment in response to the added uncertainty introduced by the effects of the COVID-19 pandemic in comparison to data and assumptions on which such adjustments were based; g) I tested, on a sample basis, the inputs applied in the Bank's LGD estimates using present values of expected future cashflows of loans and advances derived from the estimated recoverable value of collateral held and historical loss experience; h) I tested, on a sample basis, the reasonableness of the EAD for on and off-statement of financial position items through validation of relevant inputs and recalculation of EAD; i) I performed re-computations of provisions for ECL, on a sample basis, and compared our results to the output from the Bank's ECL model to evaluate the reasonableness of provisions for ECLs in these financial statement; j) I assessed the adequacy of the disclosures in the financial statements in accordance with IFRS.



Other information

The Directors are responsible for the other information. The other information comprises the annual report but does not include the financial statements and my auditor's report thereon, which I obtained prior to the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. When I read the Bank's complete annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance. I have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

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

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

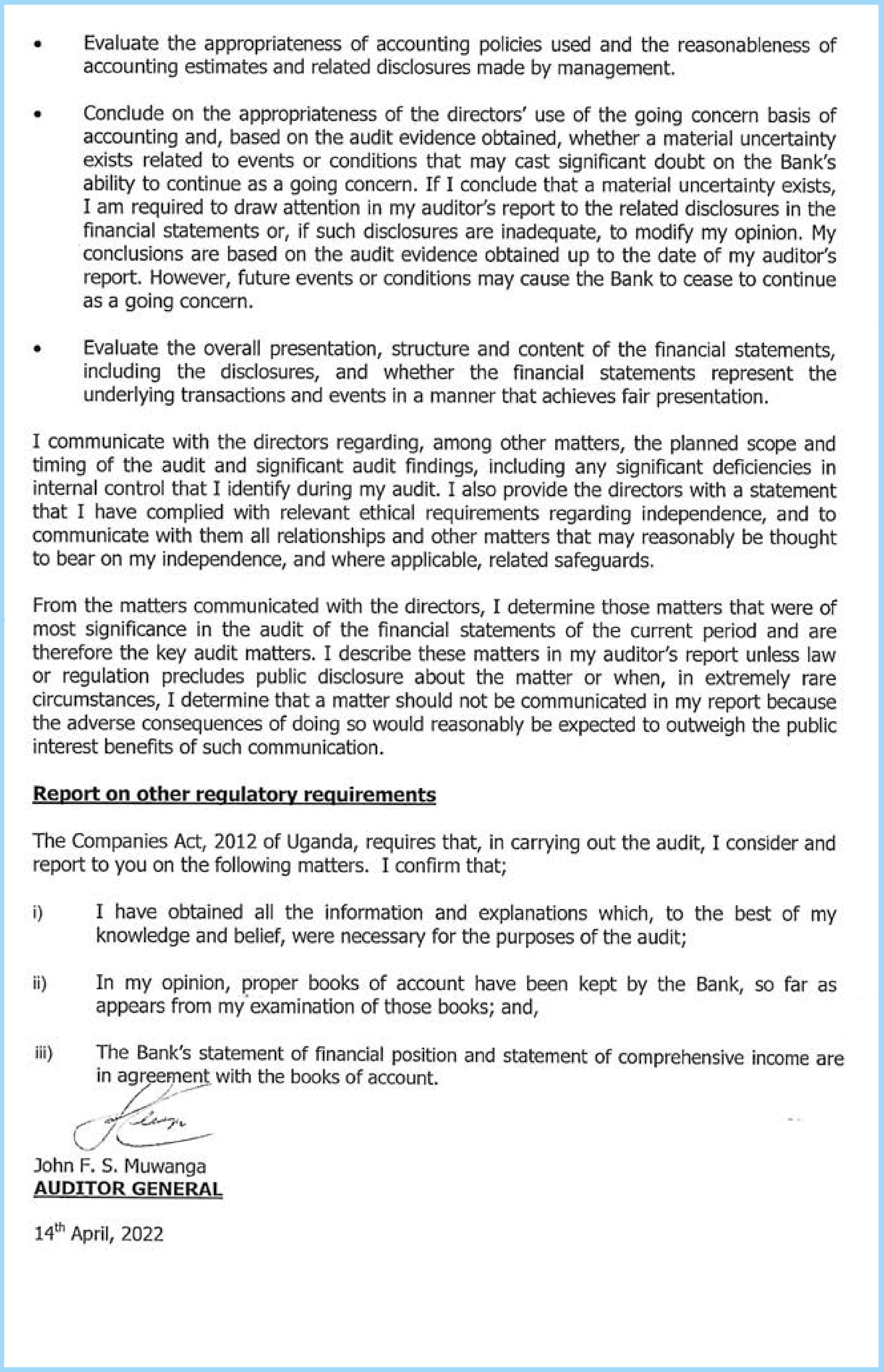
The Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My 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 my 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, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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 management.

- 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit. I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the directors, I 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. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other regulatory requirements

The Companies Act, 2012 of Uganda, requires that, in carrying out the audit, I consider and report to you on the following matters. I confirm that;

i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purposes of the audit;

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

iii) The Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account.

John F. S. Muwanga
AUDITOR GENERAL

14th April, 2022

STATEMENT OF
COMPREHENSIVE INCOME.

	Notes	2021 Ushs	2020 Ush
Interest income	7	117,315,817,163	91,163,521,239
Interest expense	8	(20,319,518,337)	(18,267,677,181)
Net interest income		**96,996,298,826**	**72,895,844,058**
Fee and commission income	9	24,506,874,778	25,290,418,110
Net trading income	10	910,222,957	1,050,137,808
Credit impairment losses	12	(9,478,258,957)	(6,266,869,357)
Other operating income	11	1,773,972,436	1,993,309,048
Net operating income		**114,709,110,040**	**94,962,839,667**
Employee benefit expense	13	(45,880,846,799)	(41,765,726,816)
Depreciation and amortisation	14	(12,043,131,774)	(6,480,089,992)
Other operating expenses	15	(39,140,453,504)	(31,531,322,242)
Administrative and operating costs		**(97,064,432,077)**	**(79,777,139,050)**
Profit before income tax		**17,644,677,963**	**15,185,700,617**
Income tax expense	16	(5,408,861,438)	(5,115,649,076)
Profit for the year		**12,235,816,525**	**10,070,051,541**
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year, net of tax		**12,235,816,525**	**10,070,051,541**
Earnings Per Share			
Basic and diluted	17	1,248	1,324

STATEMENT OF
FINANCIAL POSITION.

	Notes	2021 Ushs	2020 Ushs
ASSETS			
Cash and balances with Bank of Uganda	18	42,004,960,494	31,487,834,333
Placements and deposits with other banks	20	129,556,859,458	180,421,630,349
Government securities	19	30,750,451,608	48,113,664,750
Loans and advances to customers	21	454,864,619,522	334,690,357,332
Other assets	22	14,435,449,985	18,416,943,984
Receivables from business contracts	23	2,570,236,007	4,358,858,540
Intangible assets	24	5,835,577,373	5,495,352,688
Property and equipment	25	41,375,473,101	29,666,069,630
Right-of-use assets	26	23,898,519,636	21,904,068,238
TOTAL ASSETS		**745,292,147,184**	**674,554,779,844**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to other banks	27	1,962,352,351	1,172,913,237
Customer deposits	28	507,293,304,133	448,976,619,444
Current income tax payable	16	918,203,399	2,520,391,242
Other liabilities	31	50,697,867,503	52,433,236,633
Borrowings	29	63,921,354,708	63,239,764,318
Grants	30	1,678,100,162	3,904,340,187
Deferred income tax liability	16	1,694,701,072	923,370,652
Total liabilities		**628,165,883,328**	**573,170,635,713**
Equity			
Share capital	32	98,006,879,298	76,045,528,440
Retained earnings		12,583,614,701	21,340,160,037
Regulatory credit risk reserve	33	3,438,315,356	703,250,896
Revaluation reserve	33	3,097,454,501	3,295,204,758
Total equity		**117,126,263,856**	**101,384,144,131**
TOTAL EQUITY AND LIABILITIES		**745,292,147,184**	**674,554,779,844**

The financial statements on pages 15 to 99 were approved for issue by the Board of Directors on 28 February 2022 and signed on its behalf by:

Director

Director

Managing Director

Secretary

STATEMENT OF
CHANGES IN EQUITY.

	Share capital Ushs	Revaluation reserve Ushs	Regulatory credit risk reserve Ushs	Retained earnings Ushs	Total equity Ushs
At 1 January 2020	71,499,335,290	3,431,176,256	-	11,837,387,894	86,767,899,440
Other comprehensive income:					
Profit for the year	-	-	-	10,070,051,541	10,070,051,541
Other comprehensive income	-	-	-	-	-
	-	-	-	10,070,051,541	10,070,051,541
Transactions with owners:					
Issue of ordinary share capital (Note 32)	4,546,193,150	-	-	-	4,546,193,150
Transfer to retained earnings	-	(135,971,498)	-	135,971,498	-
Regulatory credit risk reserve (Noted 21 (c))	-	-	703,250,896	(703,250,896)	
At 31 December 2020	**76,045,528,440**	**3,295,204,758**	**703,250,896**	**21,340,160,037**	**101,384,144,131**
At 1 January 2021	76,045,528,440	3,295,204,758	703,250,896	21,340,160,037	101,384,144,131
Other comprehensive income:					
Profit for the year	-	-	-	12,235,816,525	12,235,816,525
Other comprehensive income	-	-	-	-	-
	-	-	-	12,235,816,525	12,235,816,525
Transactions with owners:					
Issue of ordinary share capital (Note 32)	3,506,303,200	-	-	-	3,506,303,200
Capitalisation of reserves	18,455,047,658	-	-	(18,455,047,658)	-
Transfer to retained earnings	-	(197,750,257)	-	197,750,257	-
Regulatory credit risk reserve (Noted 21 (c))	-	-	2,735,064,460	(2,735,064,460)	-
At 31 December 2021	**98,006,879,298**	**3,097,454,501**	**3,438,315,356**	**12,583,614,701**	**117,126,263,856**

STATEMENT OF
CASH FLOWS.

	Notes	2021 Ushs	2020 Ushs
Cash flows from other operating activities.			
Cash flows from operating activities	37	47,982,904,984	35,796,647,034
Increase in loans and advances to customers	21 (a)	(132,949,092,313)	(72,582,456,327)
Decrease in customer deposits	27&28	58,316,684,690	101,411,125,773
Decrease / (increase) in other assets	22&23	6,094,567,251	(5,726,944,495)
(Increase)/ decrease in other liabilities	31	(4,163,093,198)	8,077,138,414
Decrease/ (increase) in investment in government securities	19	17,672,188,206	(32,832,944,014)
(Decrease) / increase in due from other Banks	20	51,047,380,123	(66,884,193,056)
(Decrease) / increase in due to other Banks	27	789,439,114	(946,089,258)
Interest paid on borrowings	29	(4,508,285,620)	(1,454,092,189)
Payment of interest on lease obligations	31 (b)	(1,881,117,098)	(1,578,663,016)
Income tax paid	16	(6,320,584,438)	(3,146,679,582)
Net cash flows generated from operating activities		**32,080,991,701**	**(39,867,150,716)**
Cash flows from investing activities.			
Purchase of property and equipment	25	(20,065,055,055)	(4,685,913,228)
Purchase of intangible assets	24	(495,442,555)	(336,037,959)
Proceeds from sale of property and equipment	25	342,355,178	-
Net cash flows used in Investing activities		**(20,218,142,432)**	**(5,021,951,187)**
Cash flows from financing activities.			
Proceeds from grants	30	1,022,298,679	1,982,220,485
Repayments from grants	30	(2,672,244,096)	
Proceeds from borrowings	29	10,000,000,000	50,000,000,000
Repayments of borrowings	29	(9,471,358,254)	(4,496,491,342)
Repayment of principal component of lease liabilities	31 (b)	(3,730,294,923)	(3,153,224,540)
Issue of ordinary share capital	32	3,506,303,200	4,546,193,150
Net cash flows from financing activities		**(1,345,295,394)**	**48,878,697,753**
Net increase in cash and cash equivalents		**10,517,553,875**	**3,989,625,850**
Cash and cash equivalents at start of year		31,487,834,333	27,498,208,483
Cash and cash equivalents at end of year	18	**42,005,388,208**	**31,487,834,333**

NOTES.

1. GENERAL INFORMATION.

Post Bank Uganda Limited ('the Bank') is a limited liability company, incorporated and domiciled in Uganda. The address of its registered office is: Post Bank Head Office Building Plot No. 4/6, Nkrumah Road. P. O. Box 7189 ,Kampala, Uganda.

For purposes of reporting under the Companies Act of Uganda 2012 (herein referred to as the Ugandan Companies Act) the balance sheet is represented by the statement of financial position and the profit or loss account is represented by the statement of comprehensive income in these financial statements.

2. BASIS OF PREPARATION.

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

The financial statements are presented in Uganda Shillings.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving more judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 7 to the financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES.

3.1 New and amended standards and interpretations.

i. Amended standards effective for the year ended 31 December 2021.

The following amendments to existing standards are effective for annual periods beginning on or after 1 January 2021. However, these amendments have no impact on the Bank's financial statements.

Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)

The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment .

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. This amendment is effective for annual periods beginning on or after 1 June 2020

ii. New and amended standards issued but not yet effective that have no impact on the Bank.

The following standards and interpretations have been issued but were not mandatory for annual reporting periods ending 31 December 2021. The Bank has not early adopted any of these new or amended standards.

Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use (Annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract (Annual periods beginning on or after 1 January 2022).

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

Annual improvements cycle 2018 -2020 (Annual periods beginning on or after 1 January 2022).

These amendments include minor changes to:

- IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.
- IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.
- IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.

Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current (Annual periods beginning on or after 1 January 2022).

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

The Bank has assessed the above amendments and concluded that they will not have a significant impact on its financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

4.1.1 Functional and presentation currency.

These financial statements are presented in Uganda shillings, which is the Bank's functional currency. All amounts are in absolute terms unless otherwise indicated.

4.1.2 Translation of foreign currencies.

Transactions in foreign currencies are translated into Uganda shillings at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date.

Foreign currency differences arising on retranslation are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

4.2 Revenue from contracts with customers.

Post Bank Uganda Limited has disclosed in the notes, the amount of revenue recognised from contracts with customers separately from other sources of revenue. A further note for the disaggregation of the revenue has also been provided. These revenues include fee and commission income obtained from making field payments to Social Assistance Grants for Empowerment (SAGE), World Food Programme (WFP), Danish Refugee Council (DRC), Rural Electrification Agency (REA), Save the Children, Red Cross, Catholic Relief Society, Lutheran World Federation (LWF), Oxfam, and World Vision. The commissions earned from these contracts do not attract any interest.

Contract balances.

In line with IFRS 15 requirements, Post Bank Uganda Limited presents contract assets, contract liabilities and receivables separately in the statement of financial position.

Receivables.

Receivables are recognised only when Post Bank's right to consideration is unconditional, that is, only the passage of time is required before payment of that consideration is due). Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Bank holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Variable consideration.

The Bank does not have customer contracts with variable consideration. Revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when Banking services have been provided to the customers. While payments from the customer may be delayed in rare circumstances, the delay never exceeds two months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Non-cash consideration.

The Bank bills the customers for the number of beneficiaries paid, as such Post Bank has a right to invoice the customer in the amount that corresponds directly with the value of Post Bank's performance completed to date in accordance with IFRS 15. In this respect, there is no non-cash consideration.

Consideration payable to a customer.

There was no consideration payable to the customer as there is no reduction in prices for this line of business.

Warranty obligations.

In all the above contracts Post Bank bills the customers for the number of beneficiaries paid, as such Post Bank has a right to invoice the customer in the amount that corresponds directly with the value of Post Bank's performance completed to date in accordance with IFRS 15. The Bank maintained 100% for contract assets with REA which are over due for more than 2 years amounting to only Shs 400M.

Assets recognised from the costs to obtain or fulfil a contract.

The Bank recognises the incremental costs of obtaining a contract with a customer as an asset, if the Bank expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Bank incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (for example, a sales commission). Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense when incurred unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Bank recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Disaggregation of revenue.

The Bank has disaggregated income on the basis of how information is used by management, or users of the financial statements, to evaluate financial performance or make resource allocation decisions. The revenue has been disaggregated per project. This is because each project has its own agreement.

Assets and liabilities related to contracts with customers.

The timing of revenue recognition, Invoicing and cash collections results in invoiced accounts receivable & unbilled receivables (contract assets), on the Statement of Financial position. In our contracts, amounts are invoiced in accordance with agreed-upon contractual terms upon achievement of contractual milestones. Generally, invoicing occurs subsequent to revenue recognition, resulting in contract assets. Contract assets relates to our conditional right to consideration for our completed performance under the contract. Accounts receivables are recognised when the right to consideration becomes unconditional.

Performance obligations.

SAGE Program - The enrolled beneficiaries of SAGE onto our platform, then funds are sent to the customers' accounts by SAGE and Post Bank uses a Mobile van to go to the agreed pay points and make payments to these beneficiaries using the money deposited on their accounts by SAGE. We then bill SAGE depending on the number of beneficiaries we have been able to locate and pay in the field. SAGE has always honoured all the invoices in respect of the payments made.

WFP Program - The Bank enrols beneficiaries of WFP onto our platform, then funds are sent to the customers' accounts by WFP and Post Bank uses a Mobile van to go the agreed refugee camps and make payments to these beneficiaries using the money deposited on their accounts by WFP. We then bill WFP depending on the number of refugees we have been able to locate and pay in the camp. WFP has always honoured all the invoices in respect of the payments made.

DRC Program - The Bank enrols beneficiaries of DRC onto our platform, then funds are sent to the customers' accounts by DRC and Post Bank uses a Mobile van to go the agreed refugee camps and make payments to these beneficiaries using the money deposited on their accounts by DRC. Revenue is recognised at the point when payments are made to the beneficiaries' accounts. We then bill DRC depending on the number of refugees we have been able to locate and pay in the camp. DRC has always honoured all the invoices in respect of the payments made.

REA Program - REA entered into agreement with Post Bank Uganda Limited to make payments to the beneficiaries. Post Bank opened Bank accounts for all beneficiaries of REA and REA remits beneficiary funds to the Bank which are then credited to the beneficiary accounts. Post Bank then uses a Mobile van to go to the field camps where the beneficiaries are paid.

OXFAM Program - PBU together with OXFAM signed an agreement to allow PBU carry out cash transfers and payments to beneficiaries provided OXFAM. The payments are done by use of mobile vans and in the presence of the OXFAM supervisors. The payments made are done against the listing provided by OXFAM and these shall not be less than 500 beneficiaries. The beneficiaries are provided with identification cards that is presented during the payment exercise. The Bank charges per transaction carried out and upon completion of the exercise, a bill is prepared and submitted to OXFAM for payments which they always honoured.

RED CROSS Program - URCS entered into agreement with Post Bank Uganda Limited to effect payments to the beneficiaries. The Bank uses Mobile Vans to go to the agreed payment sites to make the payments to beneficiaries. Upon completion of the exercise, PBU invoices URCS depending on the beneficiary numbers that were actually paid. The beneficiaries are paid against a beneficiary card that is presented to the Bank officials. The URCS has always honoured its obligation to pay for the services offered by the Bank.

LWF - LWF together with the Bank came into agreement to make payments to the refugees located at sites like Kyangwali. The Bank effects these payments to refugees using Mobile vans and payment is done against the list provided by LWF to the Bank prior to the exercise. The funds to be dispensed to the refugees is deposited to an LWF account opened at PBU two weeks prior to the exercise.

The beneficiaries are also provided with beneficiary cards as a form of identification. The payment exercise is performed in the presence of the LWF supervisor in the field. LWF is billed upon completion of the exercise depending on the number of refugees paid.

WORLD VISION – The agreement signed between PBU and World vision is to effect cash transfers and payments to the beneficiaries. Payments are carried out using mobile vans despite the fact that beneficiaries hold Bank accounts. Each beneficiary has a ration card provided by World Vision and attestation form provided by the office of the Prime Minister for identification upon receiving payments. The funds to be paid are provided by WV who deposit the funds on their account held at Post Bank. The Bank carries out the payments at a fixed cost and upon completion of the exercise, an invoice is submitted to WV for payment.

Impairment of contract assets.

A contract asset is the entity's right to consideration in exchange for goods or services that the entity has transferred to the customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the same basis as financial assets that are within the scope of IFRS 9.

Fee and commission income.

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Fees and commissions expenses are recognised on an accrual basis when the service has been received.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer. The services provided through the Bank's revenue transactions are satisfied at a point in time, once control of the services is transferred to the customer, at the completion of the underlying transaction or service.

4.3. Revenue recognition.

i. Net interest income.

Interest income and expense are recognised in profit or loss using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate, transaction costs and other premiums and discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

ii. Fees and commission income.

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

4.4. Financial instruments.

The Bank's financial instruments are limited to cash and Bank balances, due from Banks, loans and advances to customers, debt instruments at amortised cost (government treasury bills), customer deposits, borrowings, guarantees and due to other Banks, as at 31 December 2021. The policy on initial recognition, initial measurement, subsequent measurement, derecognition, offsetting and impairment under IFRS 9 are discussed below;

4.4.1. Initial recognition.

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

4.4.2 Initial measurement of financial instruments.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments as described in note 4.4.4. Financial instruments are initially measured at their fair value, plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. . Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

4.4.3. Day 1 profit or loss.

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income.

In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

4.4.4. Measurement categories of financial assets and liabilities.

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at amortised cost. The Bank does not have any financial instruments classified at fair value through other comprehensive income (FVOCI) or, fair value through profit and loss. The Bank does not have any derivative instruments and neither does it have equity instruments classified at FVTPL or FVOCI.

(a) Financial instruments at amortised cost.

The Bank only measures Due from Banks, Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- *The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows*
- *The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.*

(b) Business model assessment.

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- *How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.*
- *The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.*

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

4.4.5. Loans and advances to customers and due from banks.

After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as in profit or loss. This category generally applies to interest-bearing loans.

Borrowings.

After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as in profit or loss.

4.4.6. Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

4.4.7. Derecognition of financial assets and liabilities.

(a) Derecognition due to substantial modification of terms and conditions.

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchased or Originated Credit Impaired (POCI).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

(b) Derecognition of financial assets other than for substantial modification.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

1. The Bank has no obligation to pay amounts to the eventual recipients unless it has collected

equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates

2. The Bank cannot sell or pledge the original asset other than as security to the eventual recipients

3. The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset; Or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(c) Derecognition of financial liabilities other than for substantial modification.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

4.4.8. Offsetting.

Financial assets and liabilities are offset, and the net amount presented in the Statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS and for gains or losses arising from a group of similar transactions such as in the Bank's trading activity.

4.4.9 Impairment of financial assets.

(a) Overview of the Expect Credit Loss principles.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (life time expected credit loss (LTECLs), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECLs). Expected credit losses are recognised on the following: cash and balances with Bank of Uganda (note 18), due from Banks (note 18), and debt instruments at amortised cost (note 19), loans and advances to customers (21), and other assets included in the scope of IFRS 9 (note 22).
The 12 months ECL is the portion of lifetime expected credit losses that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting

date. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 6.3.6. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired (as outlined in Note 6.3.2). The Bank records an allowance for the lifetime expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

(b) Calculation of ECLs.

The Bank calculates ECLs to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio. Refer to note 6.3.3 for further details.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. Refer to note 6.3.4 for further details.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. Refer to note 6.3.5 for further details.

When estimating the ECLs, the Bank considers three scenarios:(i)a base case, (ii) opportunistic and (iii) pessimistic estimate. Each of these is associated with a different PD, EAD and LGD when computing ECLs. Refer to Note 6.3.8 for details.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

The Bank does not issue credit cards and other revolving facilities such as overdrafts.

The mechanics of the ECL method are summarised below:

Stage 1: The 12months ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The

Bank calculates the 12months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs, EADs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Financial guarantees, Letters of credit and undrawn loan commitments

These contracts are in the scope of the ECL requirements. The Bank computes ECLs on financial guarantees, and undrawn loan commitments using the same approach as the on-balance sheet items.

Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, that are approved for issuance are not recorded on the statement of financial position.

The Bank had no outstanding letters of credit as at year end, and therefore ECLs on off-balance sheet items, were only assessed on financial guarantees and undrawn loan commitments.

4.4.10 Forward looking information.

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- Gross Domestic Product growth
- Inflation rates
- Central Bank rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

4.4.11. Collateral valuation.

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, motor vehicles, land and buildings, letters of guarantees among others. The fair value of collateral is generally assessed at a minimum at inception of the first loan issued to the customer and subsequently re-assessed after every three years if the loan is not fully paid off. The Bank uses a panel of approved valuers to evaluate and advise on the market and forced sale values to the pledged securities.

4.4.12. Collateral repossessed.

The Bank's policy is to sell the repossessed asset to recover the outstanding loan. In its normal course of business, the Bank does not physically repossess properties or other securities held, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. Because of this practice, the securities held under legal repossession processes are not recorded on the statement of financial position.

4.4.13. Write-offs .

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is 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. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss. Any subsequent recoveries are credited to credit loss expenses on financial assets.

4.4.14. Modified loans.

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

4.5. Borrowings.

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in the income statement over the term of the borrowings using the effective interest rate method.

4.6. Grants.

Grants are recognised when received and there is reasonable assurance that all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Cash and cash equivalents.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.7. Leases.

4.7.1. Bank as a lessee.

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Bank recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the bank is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the bank's incremental borrowing rate is used. For leases that contain non-lease components, the bank allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liabilities. Depreciation is calculated using the straight-line method to write-down the cost of each asset to its residual value over its estimated useful life. If the ownership of the underlying asset is expected to pass to the bank at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset if of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

4.8. Property and equipment.

Recognition and measurement.

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Repairs and renewals are charged to profit or loss when the expenditure is incurred. Subsequently, all buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Revaluations are carried out by external independent valuers every five years to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. The depreciation methods are reviewed annually. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each reporting date. On revaluation, the re-valued amount is depreciated over the remaining period of the asset. The excess depreciation is transferred from revaluation reserve to retained earnings, annually until the asset is fully depreciated or, is disposed of.

The table below contains the depreciation rates applied during the year for each class of asset.

Furniture & fittings	12.50%
Freehold Land and Buildings	1.88%
Leases	Over remaining lease term
Motor vehicles	25%
Other computer equipment	20%
Branch refurbishments	10%
Office equipment	12.5%
Servers	12.5%
ATMs	12.5%

Derecognition.
An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

Any gain or loss on disposal of an item of property and equipment is recognised within other operating income in profit or loss.

4.9. Intangible assets.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss. There are no intangible assets with indefinite useful lives.

Intangible assets are amortised at a rate of 20% p.a.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

4.10. Income tax.

i. Current Income tax.

Income tax expense is the aggregate of the charge to profit or loss in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Ugandan Income Tax Act.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised directly in equity or other comprehensive income is recognised directly in equity or other comprehensive income and not in profit or loss. The Bank periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

ii. Deferred tax.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.11. Provisions.

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4.12. Employee benefits.

i. Retirement benefit obligations.

The Company and all its employees contribute to the National Social Security Fund, which is a defined contribution retirement benefits scheme. A defined contribution scheme is a retirement benefits scheme under which the Company pays fixed contributions into a separate entity and the Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company's contributions to the defined contribution retirement benefits scheme are charged to the statement of comprehensive income in the year to which they relate.

ii. Other entitlements.

The estimated monetary liability for employees' accrued annual leave entitlement at the Statement of Financial Position date is recognised as an expense accrual. All other benefits are expensed in profit or loss.

4.13. Earnings per share.

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of any dilutive potential ordinary shares.

4.14. Financial guarantees, letters of credit and undrawn loan commitments.

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and ECL provision as set out in Note 35. The premium received is recognised in profit or loss in Net fees and commission income on a straight-line basis over the life of the guarantee. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the Statement of financial position.

4.15. Dividends.

The Bank recognises a liability to pay dividends when the distribution is authorised at the Annual General Meeting and the distribution is no longer at the discretion of the Bank.

A corresponding amount is recognised directly in equity.

4.16. Impairment of non-financial assets.

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. The fair value less costs of disposal is based on the recent market transactions for similar properties in the same locations. The recoverable amount is determined for an individual asset unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The impairment calculation is based on the most recent budgets and forecast calculations, which are prepared separately for each of the Bank's cash generating units, to which individual assets are allocated. The forecast calculations are prepared annually.

Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation. At each reporting date, an assessment is made whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank establishes the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carrying at a revalued amount, in which case, the reversal is treated as a revaluation increase.

4.17. Current/non-current distinction.

The Bank presents assets and liabilities in decreasing order of liquidity, to provide information that is reliable and more relevant than a current/non-current presentation because the Bank does not supply goods or services within a clearly identifiable operating cycle. The operating cycle of the Bank is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the Bank's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

Disclosures for the amounts expected to be recovered or settled within twelve months after the reporting period, and after more than twelve months for each asset and liability line item, respectively, are disclosed in Note 38.

4.18. Mobile Money Policy.

The Bank has a platform that enables its customers to conduct mobile money transactions. Cash balances (float) held with telecom companies are accounted for at amortised cost and recognised under other assets.

4.19. Fair value.

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.

The Bank's fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's Management Committee determines the policies and procedures for fair value measurement. External valuers are involved in the valuation of land and buildings and are appointed every time the Bank's premises are to be revalued by the Management Committee with prior approval from the Board of Directors.

The Management Committee in charge of revaluation includes the Chief Finance Officer, an officer from procurement department, and an officer from legal department to draft the terms and condition to be followed by the valuer. The Selection criteria used includes market knowledge, reputation, and independence.

Independent Valuers assess the valuation of land and buildings, every five years. The Valuation Committee decides, after discussions with the Bank's external valuers, which valuation techniques and inputs to use for each case. Annually, the finance department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies.

For this analysis, the finance department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Finance department, in conjunction with the Bank's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for land and buildings, that are measured at fair value is disclosed in note 39. The Bank does not have any other assets held at fair value.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS.

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Bank bases its assumptions and estimates on parameters available at the reporting date. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Bank. Such changes are reflected in the assumptions, when they occur.

5.1. Revaluation of land and buildings.

The Bank's land and building are initially measured at cost and are subsequently measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. The revaluations are carried out by external independent valuers regularly as per the Bank's policy to ensure that the carrying amounts do not differ materially from the fair value at the end of the reporting period. The valuation methodology adopted by the Bank's valuers is depreciated replacement cost model and reference to transaction involving properties of similar nature, location and condition with changes in fair value being recognised in other comprehensive income (OCI). The carrying amounts of the affected assets (buildings) are disclosed in note 25.

5.2. Current income tax.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. The Bank establishes provisions, based on reasonable estimates, and in response to audits by the tax authorities. The amount of such provisions is based on various factors such as experience of previous tax audits and differing interpretations of tax regulations by the Bank and the tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing. Based on the Bank's assessment that the probability for litigation and subsequent cash flows with respect to taxes is remote, no provisions and contingent liabilities have been recognised.

5.3 Provision for expected credit losses of financial assets and liabilities under IFRS 9.

The Bank's financial assets include loans and advances to customers, government treasury bills, due from other Banks and cash and Bank balances while financial liabilities include amounts due to other Banks, customer deposits, other payables, borrowings, and guarantees. The Bank uses a provision matrix to calculate ECLs for contract assets and guarantees. The probability of default rates are computed for groups of various customer segments that have similar loss patterns based on days past due (the Bank's historical observable default rates.) The Bank then adjusts the historical credit loss experience with forward-looking information that has good correlation with historical default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Bank's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Estimation of expected credit loss on government treasury bills, due from other Banks and cash and Bank balances is determined by getting a predefined default rate relating to the issuer of the treasury bills and the Bank where the cash is held, respectively, as established by one of the top credit rating agents namely Standards and Poor's, Fitch and Moody's. These default rates are then used to estimate the expected credit losses on the outstanding amounts of the above respective financial assets. The information about the ECLs on the Bank's government treasury bills, due from other Banks, loans and advances to customers and cash and balances with Bank of Uganda are disclosed in Notes 18, Note 19, Note 21 and Note 20, respectively.

6. FINANCIAL RISK MANAGEMENT.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established several board committees and policies to manage its emerging risks. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Bank's top risks arising from the use of financial instruments include credit risk, liquidity risk, interest risk and foreign exchange risks.

The table below shows the carrying amounts of the categories of financial assets and financial liabilities held by the Bank as at 31 December 2021:

	Notes	2021 Ushs	2020 Ushs
Financial assets			
Debt instruments at amortised cost:			
Cash and balances with Bank of Uganda	18	**42,004,960,494**	31,487,834,333
Due from Banks	20	129,556,859,458	180,421,630,349
Debt instruments at amortised cost	19	**30,750,451,608**	48,113,664,750
Loans and advances to customers	21	**454,864,619,522**	334,690,357,332
Other assets*	22	**7,130,688,029**	12,614,052,182
		664,307,579,111	607,327,538,946
Financial liabilities			
Financial liabilities measured at amortised cost:			
Amount due to other Banks	27	**1,962,352,351**	1,172,913,237
Customer deposits	28	**507,293,304,133**	448,976,619,444
Lease liabilities	31	**22,240,548,697**	19,812,824,620
Other liabilities**	31	**22,855,056,868**	27,878,130,284
Borrowings	29	**63,921,354,708**	63,239,764,318
		618,272,616,757	561,080,251,903

*Excludes prepayments, consumables, prepayment of employee benefit and school pay.
**Only includes accounts payable, audit fees, other payables and ACF funds.

The Bank accepts deposits from customers at fixed rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due. As such, the Bank is exposed to liquidity and credit risks resulting from such investment decisions. The Bank also carries out money market transactions to take advantage of short-term market movements in bills, currency and interest rates.

This exposes the Bank to foreign exchange and liquidity risks. The Board ALCO committee places trading limits on the level of exposure that can be taken in relation to these transactions. Foreign exchange exposures are normally offset by managing the positions. The Board audit committee is responsible for reviewing the internal controls, operating procedures and systems, and management information systems of the Bank. The board is assisted by internal audit department that ensures management is taking appropriate corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified.

The Bank takes on exposure to credit risk through issuing of loans and advances to customers and other financial institutions. The risk management and credit committee of the board provides oversight to management credit committees to ensure that the credit risk is mitigated.

The Risk Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process. The Risk Department is responsible for monitoring compliance with risk principles, policies and limits, across the Bank including monitoring the risk exposures against limits and the assessment of risks of new products and structured transactions.

This department also ensures the complete capture of the risks in risk measurement and reporting systems.

Below is the detailed information about the Bank's exposure to each of the identified risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

6.1. Market risk.

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk.

The Bank separates its exposure to market risk between trading and held to maturity portfolios. Trading portfolios are managed on a mark to market basis. Overall authority for market risk is vested in Asset and Liability Committee (ALCO). Risk Management Department is responsible for the development of detailed risk management policies and for the day to day review of their implementation.

Market risk arises from the Bank's trading and underwriting activities, as well as its structural Banking activities. The magnitude and importance of these activities to the enterprise, along with the potential volatility of market variables, call for diligent governance and a robust market risk management framework that ensures effective identification, measurement, reporting and control of market risk exposures.

6.1.1. Foreign exchange risk.

Foreign exchange risk is the potential for losses as a result of adverse exchange rate movements during a period in which the Bank has an open position, in an individual foreign currency. Currently, the Bank operates in 4 foreign currencies (namely USD, GBP, EUR and KES), but USD has the most significant exposure.

The Bank manages its foreign exchange risk by seeing to match the foreign currency denominated liabilities. Additionally, the Bank's Assets and Liabilities Committee sets limits on the level of exposure the Bank can take on by currency.

The table below summarises foreign currency exposure to the Bank as at the end of the year.

	US dollar	Pound Sterling	Euro	Kshs	Tzs	Total
At 31 December 2021						
Assets						
Cash and Bank balances with the Central Bank	9,097,108,951	207,339,755	379,911,004	5,633,424	-	9,689,993,134
Due from Banks	2,193,507,391	126,232,964	238,420,241	124,313	-	2,558,284,908
Other assets	26,764,998	1,738,407	444,931	-	-	28,948,336
Total assets	**11,317,381,340**	**335,311,126**	**618,776,176**	**5,757,737**	**-**	**12,277,226,378**
Liabilities						
Customer deposits	9,016,975,537	12,367,114	521,535,567	-		9,550,878,218
Total liabilities	**9,016,975,537**	**12,367,114**	**521,535,567**	**-**		**9,550,878,218**
Net Exposure at 31 December 2021	**2,300,405,803**	**322,944,012**	**97,240,609**	**5,757,737**	**-**	**2,726,348,160**
At 31 December 2020						
Assets						
Cash and Bank balances with the Central Bank	2,493,305,797	220,589,100	195,979,670	-	758,310	2,910,632,877
Due from Banks	3,659,813,027	203,028,723	2,102,460,943	2,809,886	-	5,968,112,579
Other assets	28,038,090	1,807,740	503,327	-	-	30,349,157
Total assets	**6,181,156,914**	**425,425,563**	**2,298,943,940**	**2,809,886**	**758,310**	**8,909,094,613**
Liabilities						
Customer deposits	6,519,642,471	42,226,316	1,873,959,709	-		8,435,828,496
Total liabilities	6,519,642,471	42,226,316	1,873,959,709	-		8,435,828,496
Net Exposure at 31 December 2020	**(338,485,557)**	**383,199,247**	**424,984,231**	**2,809,886**	**758,310**	**473,266,117**

At 31 December 2021, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been Shs 230 million (2020: Shs 33 million) higher/lower, mainly as a result of US dollar denominated receivables, payables and bank balances.

6.1.2. Interest rate risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's long-term debt obligations with floating interest rates. The Bank manages interest rate risk on its financial assets by disbursing loans to customers and other financial institutions at a fixed interest rates that cater for any movements in the central Bank lending rate. The fixed rates charged are derived by taking into consideration any anticipated changes in the central Bank lending rate, duration of the loan being disbursed, and the credit risk associated with the customer.

At 31 December 2021, if the interest rate had changed by 10%, pre-tax profit for the year would have been Shs 4,850 million (2020: Shs 3,645 million) higher/lower.

Earnings Sensitivity is a measure of the impact of potential changes in interest rates on the projected 12-month pre-tax net income of a portfolio of assets, liabilities and off-balance sheet positions in response to prescribed parallel interest rate movements. On the financial liability side, the Bank manages its interest risk by acquiring external borrowings at fixed interest rates. The table below summarises the Bank's exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates;

At 31 December 2021	Less than 3 months Ushs	3 to 12 Months Ushs	1 to 5 Years Ushs	Over 5 Years Ushs	Non Interest Bearing Years Ushs	Total Ushs
Assets						
Cash and Bank balances	-	-	-	-	42,004,960,494	42,004,960,494
Debt instruments at amortised cost	19,599,691,218	11,150,760,390	-	-	-	30,750,451,608
Due from Banks	68,958,758,221	60,598,101,237	-	-	-	129,556,859,458
Loans and advances	17,162,699,751	97,403,379,377	309,132,716,064	31,165,824,330	-	454,864,619,522
Property plant & Equipment	-	-	-	-	41,375,473,101	41,375,473,101
Right of Use	-	-	-	-	23,898,519,636	23,898,519,636
Intangible Assets	-	-	-	-	5,835,577,373	5,835,577,373
Other assets	-	-	-	-	17,005,685,992	17,005,685,992
Total assets	**105,721,149,190**	**169,152,241,004**	**309,132,716,064**	**31,165,824,330**	**130,120,216,596**	**745,292,147,184**
Off-balance sheet items						
Amounts guaranteed	28,000,000	39,500,000	272,620,890	600,000,000	-	940,120,890
Commitments	90,000000	315,950,000	1,124,350,000	1,986,949,253	-	3,517,249,253
Total undiscounted commitments and guarantees	**118,000,000**	**355,450,000**	**1,396,970,890**	**2,586,949,253**		**4,457,370,143**
Liabilities						
Customer deposits	94,188,030,684	136,978,546,892	276,126,726,557	-	-	507,293,304,133
Amounts due to other Banks	1,962,352,351	-	-	-	-	1,962,352,351
Lease liabilities	-	800,913,856	3,927,810,466	17,511,824,375	-	22,240,548,697
Other liabilities	-	-	-	-	30,135,418,968	30,135,418,968
Borrowings	977,362,774	10,697,102,291	33,962,356,643	18,284,532,999	-	63,921,354,708
Total liabilities	**97,127,745,809**	**148,476,563,039**	**314,016,893,666**	**35,796,357,374**	**30,135,418,968**	**625,552,978,857**
Interest repricing gap as at 31 December 2021	**8,711,403,381**	**21,031,127,965**	**(3,487,206,712)**	**(2,043,583,791)**	**-**	**-**
Interest repricing gap as at 31 December 2020	**5,041,090,463**	**52,334,701,930**	**(33,044,463,826)**	**7,762,107,038**	**-**	**-**

6.1.3. Liquidity risk.

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are overdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The Bank is exposed to daily calls on its available cash resources from overnight deposits, savings accounts and maturing deposits. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Assets and Liabilities Committee sets limits on the minimum proportion of maturing funds available to meet such calls and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The objective of the Bank in managing liquidity is that the Bank seeks to maintain a stable funding base primarily consisting of amounts due to other Banks, corporate and retail customer deposits and borrowings. The Bank invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The table below analyses financial assets and financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2021 to the contractual maturity date.

At 31 December 2021	On demand Ushs	Less than 3 months Ushs	3 to 12 months Ushs	1 to 5 Years Ushs	Over 5 years Ushs	Total Ushs
Assets						
Cash and Bank balances	42,005,388,209	-	-	-	-	42,005,388,209
Debt instruments at amortised cost	-	19,599,691,218	11,172,181,783	-	-	30,771,873,001
Due from Banks	44,625,963,497	24,332,794,724	60,598,101,237	-	-	129,556,859,458
Loans and advances	13,420,280,950	3,742,418,801	97,403,379,377	327,313,375,173	31,165,824,330	473,045,278,630
Other assets	-	7,130,688,029	-	-	-	7,130,688,029
Total assets	**100,051,632,656**	**54,805,592,772**	**169,173,662,397**	**327,313,375,173**	**31,165,824,330**	**682,510,087,327**
Off-balance sheet items						
Amounts guaranteed	28,000,000	39,500,000	272,620,890	600,000,000	-	940,120,890
Commitments	90,000000	315,950,000	1,124,350,000	1,986,949,253	-	3,517,249,253
Total undiscounted commitments and guarantees	**118,000,000**	**355,450,000**	**1,396,970,890**	**2,586,949,253**		**4,457,370,143**
Liabilities						
Customer deposits	57,701,917,721	36,486,112,963	136,978,546,892	276,126,726,557	-	507,293,304,133
Amounts due to other Banks	1,962,352,351	-	-	-	-	1,962,352,351
Lease liabilities	-	800,913,856	3,927,810,466	17,511,824,375	-	22,240,548,697
Other liabilities	460,637,841	580,999,667	12,655,151,809	16,438,629,651	-	30,135,418,968
Borrowings	-	977,362,774	10,697,102,291	33,962,356,643	18,284,532,999	63,921,354,708
Total undiscounted financial liabilities	**60,124,907,913**	**38,845,389,260**	**164,258,611,458**	**344,039,537,226**	**18,284,532,999**	**625,552,978,857**
Net liquidity position	**40,044,724,743**	**16,315,653,512**	**6,312,021,829**	**(14,139,212,800)**	**12,881,291,331**	**61,414,478,615**

At 31 December 2021	On demand Ushs	Less than 3 months Ushs	3 to 12 months Ushs	1 to 5 Years Ushs	Over 5 years Ushs	Total Ushs
Assets						
Cash and Bank balances	31,487,834,333	-	-	-	-	31,487,834,333
Debt instruments at amortised cost	-	2,250,000,000	50,450,000,000	-	-	52,700,000,000
Due from Banks	24,752,613,596	121,261,942,182	41,586,695,475	-	-	187,601,251,253
Loans and advances to customers	23,470,441,426	44,136,333,195	140,741,233,860	170,000,115,130	7,657,447,499	386,005,571,110
Other assets	-	12,614,052,182	-	-	-	12,614,052,182
Total assets	**79,710,889,355**	**180,262,327,559**	**232,777,929,335**	**170,000,115,130**	**7,657,447,499**	**670,408,708,878**
Off-balance sheet items						
Amounts guaranteed	73,507,010	588,050,510	161,800,000	56,400,480	-	879,758,000
Commitments	-	1,190,146,792	-	-	-	1,190,146,792
Total undiscounted commitments and guarantees	**73,507,010**	**1,778,197,302**	**161,800,000**	**56,400,480**		**2,069,904,792**
Liabilities						
Customer deposits	353,313,653,903	19,243,597,401	81,201,111,519	-	-	453,758,362,823
Amounts due to other Banks	1,172,913,237	-	-	-	-	1,172,913,237
Lease liabilities	-	339,377,151	6,585,039,535	11,889,869,017	7,969,360,810	26,783,646,513
Other liabilities	485,904,226	7,346,061,738	10,373,122,881	-	-	18,205,088,845
Borrowings	-	1,407,100,865	10,168,445,920	40,790,807,075	25,658,851,494	78,025,205,354
Total undiscounted financial liabilities	354,972,471,366	28,336,137,155	108,327,719,855	52,680,676,092	33,628,212,304	577,945,216,772
Net liquidity position	**(275,335,089,021)**	**150,147,993,102**	**124,288,409,480**	**117,263,038,558**	**(25,970,764,805)**	**90,393,587,314**

6.2. Capital management.

The Bank monitors the adequacy of its capital using ratios established by the Financial Institutions Act. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets and off-balance sheet commitments at weighted amounts to reflect their relative risk.

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheet, are:

- to comply with the capital requirements set by the Financial Institutions Act 2004, 2004 as amended; and
- to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank for supervisory purposes. The required information is filed with the Central Bank on a quarterly basis.

Effective 31st December 2021,the Bank is always required to maintain a core capital (Tier I) of not less than 12.5% of total risk adjusted assets plus risk adjusted off balance sheet items and a total capital (Tier I + tier 2) of not less than 14.5% of its total risk adjusted assets plus risk adjusted off balance sheet items in line with the Financial Institutions (Capital Buffers and Leverage Ratio) Regulations, 2020 . Off-balance-sheet credit related commitments and forwards are considered by applying different categories of credit conversion factors, designed to convert these items into balance sheet equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for balance sheet assets.

Tier I capital consists of equity comprising of paid up share capital, share premium and retained earnings less intangible assets and other eligible deductions, such as foreign exchange gains. Tier 2 capital includes Post Bank Uganda Limited's eligible long-term loans, and general provisions. Tier 2 capital is limited to 100% of Tier I capital.

The table below summaries the composition of the regulatory capital and ratios for the Bank, for the years ended 31 December 2021 and 31 December 2020. During these two years, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	2021 Ushs	**2020 Ushs**
Core capital (Tier I)		
Permanent shareholders' equity	**98,006,879,298**	76,045,528,440
Retained earnings	**12,583,614,701**	21,340,160,037
Less: intangible assets	**(5,835,577,373)**	(5,495,352,688)
Less: unrealised revaluation gain	**-**	(1,105,248)
Tier I capital	**104,754,916,626**	91,889,230,541
Supplementary capital (Tier 2)		
Revaluation reserve	**3,097,454,501**	3,295,204,758
Unencumbered general provisions for losses	**4,565,088,838**	3,335,750,880
Tier 2 capital	**7,662,543,339**	6,630,955,638
Total capital (Tier I +Tier 2)	**112,417,459,965**	98,520,186,179

The Financial Institutions (Capital Buffers and Leverage Ratio) Regulations, 2020 were gazetted and took effect on 31 December 2020. The regulations require regulated financial institutions to maintain a capital conservation buffer of 2.5% of risk weighted assets over and above the core capital ratio and total capital ratio prescribed in the financial institutions act, a systemic risk buffer for domestically systemically important Banks ranging from 0% to 3.5% of risk weighted assets over and above the capital conservation buffer, a countercyclical capital buffer of 2.5% of risk weighted assets and a minimum leverage ratio of 6% of the total balance sheet and off balance sheet assets. This requirement, which is effective 31 December 2021, will raise the minimum capital requirement from 10% and 12% to 12.5% and 14.5%, for core and total capital respectively.

The table below summarizes the composition of the risk-weighted assets of the Bank for the years ended 31 December 2021 and 31 December 2020:

	As at 31 December			As at 31 December	
	Nominal Amount			Risk weighted Amount	
	2021 Ushs	2020 Ushs		2021 Ushs	2020 Ushs
Cash & Central Bank balances (Note 18)	42,004,960,494	31,487,834,333	0%	-	-
Debt instruments at amortised cost (Note 19)	30,750,451,608	48,113,664,750	0%	-	-
Deposits due from:					
Local banks (Note 20)	127,602,071,258	178,781,229,200	20%	25,520,414,252	35,756,245,840
Foreign banks (Rated A+) (Note 20)	1,954,788,200	1,640,401,149	50%	977,394,100	820,200,575
Loans and advances (Note 21)	454,864,619,522	334,690,357,332	100%	454,864,619,522	334,690,357,332
Property and equipment (Note 25)	41,375,473,101	29,666,069,630	100%	41,375,473,101	29,666,069,630
Right of use assets (Note 26)	23,898,519,636	21,904,068,238	100%	23,898,519,636	21,904,068,238
Contract assets (Note 23)	2,570,236,007	4,358,858,540	100%	2,570,236,007	4,358,858,540
Other assets (Note 22)	14,435,449,985	18,416,943,984	100%	14,435,449,985	18,416,943,984
Total assets	**739,456,569,811**	**669,059,427,156**		**563,642,106,603**	**445,612,744,139**
Off-Balance sheet (Note 35)					
Guarantees and acceptance	940,120,890	879,758,000	100%	940,120,890	879,758,000
Commitments	3,517,249,253	1,190,146,792	50%	1,758,624,627	595,073,396
Capital requirement basis	**743,902,686,568**	**671,129,331,948**		**566,329,598,734**	**447,087,575,535**
Market Risk Adjustment	7,993,984,316		100%	7,993,984,316	
Total Risk Adjusted Assets	**751,907,924,270**	**100%**		**574,334,836,436**	

FIA Capital Ratios	**2021**	**2020**
Tier I capital	18.24%	21%
Tier I + Tier 2 capital	19.57%	22%
FIA ratios		
Core capital	12.5%	10%
Total capital	14.5%	12%

The Bank uses Standards and Poor rating model for foreign Banks balances. Banks rated AAA to AA (-) are included in the main Balances. Deposits rated A+ are separated.

6.3. Credit risk.

Credit risk is the risk that a counterparty will cause a financial loss to the Bank by failing to discharge an obligation in full when due. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration of the Bank's Loan portfolio, could result in losses that are different from those provided for at the reporting date.

The Bank has a board risk management and credit committee that performs the following roles to ensure proper risk management.

- Reviewing and approving credit policies and manuals for the management of credit risk, monitoring of the risk profile, performance and management of the credit portfolio.
- Determining, approving and reviewing limits and conditions that apply to authority delegated to Management, as well as approving credit facilities and other exposures outside the authority delegated to management.
- Reviewing the Bank's bad debt performance, as well as material changes to the provisioning methodology of the Bank.

Management credit committee is then tasked with implementation of the Bank's credit policies and procedures, with credit approval authorities delegated from the Board's Risk Management and Credit to ensure good quality and performance of the credit portfolios.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits, where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

The Bank's loan portfolio is well diversified by borrower and none of its borrowers had amounts outstanding exceeding 25% of core capital.

6.3.1. Credit–related commitments risks.

The Bank makes available to its customers guarantees that 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.

Impairment assessment on such commitments is set out in Note 4.4.9, and Note 35

6.3.2. Definition of default and cure.

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

Such events include:

- Internal rating of the borrower indicating default or near-default
- Closure of customer business.
- Death of the borrower
- Loss of employment for salary loans
- Diversion of funds.
- The borrower requesting emergency funding from the Bank
- The borrower having past due liabilities to public creditors or employees
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Bank
- The debtor (or any legal entity within the debtor's group) filing for Bankruptcy application/ protection.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least a month. The Bank's system is also automated to automatically assign stages depending on the major criteria for default which is days past due. If the days in arrears reduce from past 30 days, loans in stage 2 are automatically cured to stage 1 and vice versa. Similarly, when days past due reduce from 90 days in arrears plus to below 90 days, loans in stage 3 are cured to stage 2 and vice versa. Loan classifications are only done manually on a case by case basis if other indicators of impairment besides days past due are identified on a loan to a customer.

6.3.3. The Bank's internal rating and PD estimation process.

The Bank's Credit department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rated using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behaviour. Where practical, the Bank also builds on information from credit reference bureaus. The internal credit grades are assigned based on these Basel III based grades. PDs are then adjusted for IFRS 9 ECL calculations to incorporate historically collected loss behaviour data and forward-looking information and the IFRS 9 Stage classification of the exposure. Historical PDs are computed using a one-year transitional matrix that show how loans of a certain category behaved one year down the road. It is these historical PDs that are adjusted using the forward-looking information to obtain the adjusted IFRS 9 PDs.

i. Treasury, trading and interbank relationships.

The Bank's treasury, trading and interbank relationships and counterparties comprise majorly financial services institutions, and commercial banks. For these relationships, the Bank's Risk Management and Credit committee analyses available information such as financial information and other external data, e.g., the rating of credit reference bureaus, or other credible agencies and assigns the internal ratings and cash limits the bank places with such institutions.

ii. Business and Agriculture business loans.

For above segment of customers, the borrowers are assessed by credit risk analysis employees of the Bank. The credit risk assessment is based on a mix of expert assessment and credit scoring model that considers various historical, current and forward-looking information such as:

- Historical financial information by the client. This financial information includes at least 12 months financial statements, audited accounts for the last three years and credit reference data for all loans of shs 100 million or more, but less than shs 200 million;
- 12 months financial statements, audited accounts for the last three years, credit reference data, and copies of VAT and TIN certificates for loans above shs 200 million.
- Any publicly available information on the clients from external parties where applicable.
- Any macro-economic or geopolitical information such as Central Bank Rate, Inflation rates
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the borrower's performance.

The complexity and granularity of the rating techniques and pre-disbursement information requirements varies based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated on basis of behaviours opposed to using very complex techniques and also attract less pre-disbursement information.

iii. Personal consumer lending and group loans.

Personal consumer lending comprises unsecured personal loans, staff loans, agricultural individual loans while group loans are small loans that are taken out by individuals but require group consent as they are tagged to a group of individuals. These products are assessed on basis of product probability of default history and are driven for ECL by an automated tool primarily driven by days past due. Other key inputs into the models are:· Consumer lending products, macroeconomic factors and other collateral securities attached to the loan facilities.

iv. Bank's internal ratings credit rating grades.

In the process of assessing credit worthiness, the Bank looks at a number of parameters to score its clients that would like to take out credit facilities using its internally generated credit rating tool. The maximum score on the tool is 48 and that automatically qualifies the customer for the loan facility once they have provided all the loan requirements.

The table below showing the Bank's credit rating tool used to assess clients that would like to obtain loans from the Bank.

Grade	Score	Score description
Very Good	24- 48	Approve the application
Good	18-23	Reduce the loan amount and closely monitor the loan
Fair	14-17	You may finance but at a higher monitoring fee charged
Bad	< 14	Do not lend

Subsequently, all loan facilities that are recorded on the Bank's loan book are graded as follows;

Internal Rating grade	Internal rating description	IFRS 9 Stage	PD Range
Performing			
Grade 1	Normal	1	0% –8%
Grade 2	Watch	2	9%–99%
Non-performing			
Grade 3	Sub-standard	3	100%
Grade 4	Doubtful	3	100%
Grade 5	Loss	3	100%

6.3.4. Exposure at Default (EAD).

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet EAD includes an estimate of any further amounts to be drawn at the time of default.

6.3.5. Loss Given Default (LGD).

LGD is the amount that may not be recovered in the event of default and is modelled based on historical data and reasonable and supportable information about future economic conditions, where appropriate. The Bank computes LGD by taking into consideration the amount and quality of collateral held, the exposure at default and the time it takes the Bank to collect money from the sale of collaterals, where customers have failed to pay off their loans. The loss given default is assessed on individual level for all secured loan facilities by using the EAD and the discounted value of collateral securities attached to the individual loans while for unsecured loans, the Bank computes LGD on a collective basis by considering historical information regarding recoveries from such unsecured loan facilities.

6.3.6. Significant increase in credit risk.

The Bank continuously monitors all assets subject to credit risk. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when the customer fails to pay for more than 30 days; and thus in computing ECLs, lifetime PDs must be considered unlike for stage one where the computation is based on the 12-month PDs. Significant increase in credit risk could also be triggered by qualitative characteristics of the customer such as closure of the customer's business, death of the customer, among others. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 6.3.8 below), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

6.3.7. Grouping financial assets measured on a collective basis.

As explained in Note 4.4.9 (a) above, depending on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

Asset classes where the Bank calculates ECL on a collective basis include.

The Bank groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Business Loans (This portfolio includes all business-related loans except agricultural business loans)
- Agriculture loans (This portfolio includes all agricultural related loans disbursed).
- Personal Loans (This portfolio includes all loans disbursed on a personal level except for staff loans)
- Staff Loans (This portfolio includes all staff related loans)
- Group loans (This portfolio includes all loans that are disbursed to clients in organised small groups.)

6.3.8. Analysis of inputs to the ECL model under multiple economic scenarios.

The macroeconomic factor forecasts - for the three scenarios, base estimate, optimistic and pessimistic estimate - are used to create forecasted values for each of the PDs at portfolio level.

The table below shows an analysis of inputs to the ECL model at portfolio level for the three scenarios.

Loan Category	ECL -Scenario	2021 Assigned - Probabilities	2021 Weights
Staff loans	Base case	40%	1.00000000000
	Optimistic case	20%	1. 16802217609
	Pessimistic case	40%	0. 96611659089
Group loans	Base case	20%	1. 16802217609
	Optimistic case	40%	1.00000000000
	Pessimistic case	40%	0. 96611659089
Personal loans	Base case	40%	1.00000000000
	Optimistic case	20%	1.11563494046
	Pessimistic case	40%	0. 99492566362
Agriculture	Base case	40%	1.00000000000
	Optimistic case	20%	1. 11563494046
	Pessimistic case	40%	1.0000000000
Business loans	Base case	40%	1.00000000000
	Optimistic case	20%	1. 17691011048
	Pessimistic case	40%	0. 96082193216

Loan Category	ECL -Scenario	2020 Assigned -Probabilities	2020- Scenario weights
Staff loans	Base case	40%	1.00000000000
	Optimistic case	20%	1.13195671357
	Pessimistic case	40%	0.99068277060
Group loans	Base case	40%	1.00000000000
	Optimistic case	20%	1.13195671357
	Pessimistic case	40%	0.99068277060
Personal loans	Base case	40%	1.00000000000
	Optimistic case	20%	1.14316621547
	Pessimistic case	40%	0.98382817571
Agriculture	Base case	40%	1.00000000000
	Optimistic case	20%	1.13208146196
	Pessimistic case	40%	0.99361500372
Business loans	Base case	40%	1.00000000000
	Optimistic case	20%	1.13308858856
	Pessimistic case	40%	0.98831578541

6.3.9. Overview of modified loans.

The Bank sometimes modifies the terms of loans provided due to commercial renegotiations or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays among others. Restructuring policies and procedures are based on indicators and criteria which in the judgement of management, indicate that payment will most likely continue. The policies are kept under continuous review in line with Bank of Uganda guidelines for restructuring facilities and extending moratorium to clients during the Covid 19 pandemic.

The Bank considers loan modification to be an indicator of a deterioration of credit risk.

For the year ended 31 December 2021, modification losses/gains were found immaterial and not recognised in the financials (2020 :Nil).

Following the guidance issued by Bank of Uganda, PBU responded and granted relief to its customers through one or more of the following:

a. Rescheduling of instalments and capitalisation of interest;
b. Granting of grace periods;
c. Reduction of interest rates on some loans; and
d. Extension of loan tenure.

As such the Bank took the following assumptions for assessment of significant increase in credit risk (SICR);

a. All boda boda loans that were 30-89 days past due were downgraded to stage 3.
b. All group loans that were 30-89 days past due were downgraded to stage 3 while the group loans which were 15 - 29 days past due were downgraded to stage 2.
c. Loans to Schools and loans to students' hostels which were rescheduled and expected to start fully operating effective March 2021 were maintained in the normal stage 1.
d. All other rescheduled loans with 30 days and above past due after the moratorium period were downgraded to stage 3 except individual cases where there are justifiable reasons for not down grading the facility.
e. Of the loans in category (d) above, cases with loan amount exceeding Shs 50,000,000+ were assessed individually.

f. The Bank also put into consideration how the pandemic affected the specific products or sectors.
g. The Bank carried out stressed PDs assessment to determine the impact of the pandemic on the forward-looking information (FLI).

As a result, the Bank's total ECL's during the year increased from Ushs.7.3 billion to Ushs.13.5 billion.

6.3.10 Collateral and other credit enhancements.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows:
a. Charge over Land and Developments thereon
b. Charge over Motor Vehicles
c. Charge over Cash assigned to Banks
d. Personal guarantees and corporate guarantees.
e. Charge over fixed and floating debentures, among others.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement where necessary. Borrowers are also required to revalue their assets every after four years to ensure that the Bank attaches the right values to the issue loan facilities.

When secured facilities are in default, the Bank follows laid down remedial procedures and eventually recovery from the pledged collateral. In the event of sale of mortgaged properties, all proceeds are applied to payment of the debt and related cost and the residual availed to the debtor. Because of this practice, the properties under legal repossession processes are not recorded on the statement of financial position and not treated as non–current assets held for sale.

The tables on the following pages show the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

6.4. Credit risk.

The table on the following pages show the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk:

Type of collateral or credit enhancement.

31-December 2021	Total exposure to credit risk Ushs	Cash Securities Ushs	Property Ushs	Others Ushs	Total Collateral Ushs	Net exposure Ushs	Associated ECLs Ushs
Financial assets							
Bank balances*	42,004,960,494	-	-	-	-	42,004,960,494	427,714
Due from Banks*	129,556,859,458	-	-	-	-	129,556,859,458	326,898,571
Debt Instruments *	30,750,451,608	-	-	-	-	30,750,451,608	21,421,393
Other assets	7,130,688,029	-	-	-	-	7,130,688,029	-
Loans and advances to customers							
Agricultural Loans	111,857,060,706	1,201,922,742	480,598,011,729	-	481,799,934,471	369,942,873,765	1,126,439,045
Business Loans	135,141,928,925	1,287,263,831	522,012,740,878	-	523,300,004,709	388,158,075,784	3,138,565,852
Group loans	1,747,795,162	398,097,185	2,654,027,440	-	3,052,124,625	1,304,329,463	344,393,484
Personal Loans	208,744,687,625	996,713,353	101,569,671,217	-	102,566,384,570	(106,178,303,055)	8,812,642,583
Staff Loans	15,553,806,212	184,663,064	30,031,125,709	-	30,215,788,773	14,661,982,561	149,139,298
Total financial assets at amortised cost	**682,488,238,219**	**4,068,660,175**	**1,136,865,576,973**	**-**	**1,140,934,237,148**	**877,343,171,493**	**10,842,825,504**
Financial guarantees	940,120,890	-	2,869,680,624	-	2,869,680,624	1,929,559,734	836,033
Undrawn commitments	3,517,249,253	-	7,387,096,741	-	7,387,096,741	3,869,847,488	3,083,317
Total	**4,457,370,143**		**10,256,777,365**		**10,256,777,365**	**5,799,407,222**	**3,919,350**

*Expected credit losses on Bank balances, securities and placements are based on probability of default rating from Standard & Poor.

The table on the following pages show the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk

Type of collateral or credit enhancement.

31-December-2020	Total exposure to credit risk Ushs	Cash Securities Ushs	Property Ushs	Total collateral Ushs	Net exposure collateral Ushs	Associated ECLs Ushs
Financial assets						
Bank balances*	31,487,834,333	-	-	-	31,487,834,333	924,482
Due from banks*	180,421,630,349	-	-	-	180,421,630,349	509,507,804
Debt Instruments at amortised cost*	48,113,664,750	-	-	-	48,113,664,750	330,396,458
Other assets	12,614,052,182	-	-	-	12,614,052,182	-
Loans and advances to customers						
Agricultural Loans	88,772,307,956	311,187,970	348,158,831,825	348,470,019,795	259,697,711,839	25,227,778
Business Loans	137,069,330,272	573,863,458	496,570,246,669	497,144,110,127	360,074,779,855	1,700,890,823
Group loans	6,699,555,506	1,220,555,355	7,724,560,000	8,945,115,355	2,245,559,849	461,978,084
Personal Loans	102,193,124,062	1,224,620,625	127,633,208,100	128,857,828,725	26,664,704,663	5,078,536,199
Staff Loans	16,392,903,396	-	34,827,950,000	34,827,950,000	18,435,046,604	109,879,592
Total financial assets at amortized cost	**623,764,402,806**	**3,330,227,408**	**1,014,914,796,594**	**1,018,245,024,002**	**939,754,984,424**	**8,217,341,220**
Financial guarantees	879,758,000	-	299,463,045	299,463,045	-	-
Undrawn commitments	1,190,146,792	-	1,457,930,660	1,457,930,660	494,687,836	6,664,544
Total	**2,069,904,792**		**1,757,393,705**	**1,757,393,705**	**494,687,836**	**6,664,544**

7. INTEREST INCOME.

	2021 Ushs	2020 Ushs
Arising on:		
Debt instruments	**7,574,035,294**	3,397,661,513
Loans and advances to customers	**98,215,207,239**	77,386,585,185
Deposits due from Banks	**11,526,574,630**	10,379,274,541
	117,315,817,163	91,163,521,239

8. INTEREST EXPENSE.

	2021 Ushs	2020 Ushs
Savings accounts	**3,260,771,470**	3,249,401,238
Fixed deposits	**10,516,395,505**	7,480,249,424
Interest on borrowings (note 29)	**4,661,234,264**	2,198,439,022
Finance charge on leases (note 31 (b))	**1,881,117,098**	5,339,587,497
	20,319,518,337	18,267,677,181

9. FEE AND COMMISSION INCOME.

	2021 Ushs	2020 Ushs
Transactional fees and commissions	**17,577,854,316**	17,086,931,089
Other income from contracts with customers[1]	**6,929,020,462**	8,203,487,021
	24,506,874,778	25,290,418,110

[1] Other income from contracts to customers relates to income received from the SAGE Program, WFP, DRC and REA payments, as disclosed below:

Disaggregation of other income from contracts with customers:

	2021 Ushs	2020 Ushs
Customer Name		
Social Assistance Grant for Empowerment scheme (SAGE)	**804,605,865**	1,602,848,392
World Food Programme (WFP)	**4,821,782,882**	5,146,922,959
Danish Refugee Council (DRC)	**479,310,260**	309,925,900
Others (Red Cross, World Vision, Oxfam, LWF, and Save the Children)	**361,021,455**	
Rural Electrification Agency. (REA)	**462,300,000**	1,143,789,770
	6,929,020,462	8,203,487,021

10. NET TRADING INCOME

	2021 Ushs	2020 Ushs
Foreign currency trading income*	**1,076,409,274**	1,049,032,560
Unrealised foreign exchange gain/ (loss)**	**(166,186,317)**	1,105,248
	910,222,957	1,050,137,808

11. OTHER OPERATING INCOME

	2021 Ushs	2020 Ushs
Grant income released to profit or loss (Note 30)	**573,325,034**	735,583,089
Other	**1,200,647,402**	1,257,725,959
	1,773,972,436	1,993,309,048

12. CREDIT IMPAIRMENT LOSSES.

		2021 Ushs			
Particulars	Note	Stage 1	Stage 2	Stage 3	Total
Balances with Central Bank	18	(496,768)	-		(496,768)
Government Securities	19	(308,975,065)	-	-	(308,975,065)
Due from Banks	20	(182,609,232)	-	-	(182,609,232)
Loans and advances to customers	21	1,844,094,681	778,972,392	10,151,763,049	12,774,830,122
Contract assets	23	(324,450,719)	-	-	(324,450,719)
Financial guarantees and commitments	35	(2,745,194)	-	-	(2,745,194)
		1,024,817,703	**778,972,392**	**10,151,763,052**	**11,955,553,147**
Recovery of written off loans					(2,477,294,187)
					9,478,258,957

		2020 Ushs			
Particulars	Note	Stage 1	Stage 2	Stage 3	Total
Balances with Central Bank	18	367,578	-		367,578
Government Securities	19	172,389,367	-	-	172,389,367
Due from Banks	20	359,659,918	-	-	359,659,918
Loans and advances to customers	21	(4,545,315,836)	983,946,064	9,663,753,557	6,102,383,785
Contract assets	22	759,345,594	-	-	759,345,594
Financial guarantees and commitments	35	(344,056)	-	-	(344,056)
		(3,253,897,435)	**983,946,064**	**9,663,753,557**	**7,393,802,186**
Recovery of written off loans					(1,126,932,829)
					6,266,869,357

13. EMPLOYEE BENEFITS EXPENSE.

	2021 Ushs	2020 Ushs
Wages and salaries	31,272,229,720	26,358,704,893
Pension and retirement benefits	5,301,227,430	4,735,949,303
Staff welfare	3,759,035,882	3,676,365,588
Subsistence allowance	827,798,965	281,949,165
Staff mark to market expense (Note 21)	236,941,201	232,315,014
Staff allowances and Incentive costs	4,483,613,601	6,062,211,249
	45,880,846,799	**41,347,495,212**

14. DEPRECIATION AND AMORTISATION.

	2021 Ushs	2020 Ushs
Depreciation on property and equipment (Note 25)	5,805,793,409	5,035,286,055
Depreciation on right of use assets (Note 26)	4,368,260,713	301,656,069
Amortization of intangible assets (Note 24)	1,869,077,652	1,143,147,868
	12,043,131,774	**6,480,089,992**

15. OTHER OPERATING EXPENSES.

	2021 Ushs	2020 Ushs
Utilities	**1,340,059,936**	1,016,465,614
Maintenance costs	**2,842,664,386**	2,445,730,656
Stationery and supplies	**1,461,295,010**	1,575,842,226
Office expenses	**3,047,451,950**	4,414,495,842
Security expenses	**2,772,931,351**	2,770,617,960
Sales expenses	**3,021,616,077**	905,313,060
Computer expenses	**7,018,358,565**	4,461,287,710
Audit fees	**160,000,003**	206,385,793
Other professional expenses	**864,331,850**	1,395,547,250
Motor vehicle, generator and fuel expenses	**1,300,425,527**	1,634,630,308
Travel expenses	**1,047,061,213**	1,307,541,559
Marketing expenses	**2,757,746,008**	754,857,778
Communication	**239,649,464**	83,789,489
Bank charges	**307,126,727**	430,428,057
Directors' expenses	**1,095,035,195**	454,450,511
Operational losses	**1,092,619,160**	2,452,023,690
CRB & recovery expenses	**410,623,100**	809,324,298
Deposit protection	**799,527,371**	1,102,563,007
Other operating costs*	**2,872,794,519**	2,013,559,176
Agency Banking Cost	**1,269,573,712**	600,803,662
Loss on disposal	**192,482,538**	-
Prepaid card costs	**1,914,649,189**	-
Contract expenses*	**1,312,430,653**	1,109,691,084
	39,140,453,504	31,945,348,730

*Contract expenses are expenses incurred in providing service under contracts with customers. They relate to contracts with SAGE, WFP, DRC, REA,LWF, Red Cross , Save the Children, and World Vision, CORE and CRS.

16. TAXES

	2021 Ushs	2020 Ushs
(a) Current income tax expense.		
Current income tax	**4,637,531,017**	5,610,704,594
Deferred income tax charge / (credit) (Note 19 (c))	**771,330,421**	(495,055,518)
	5,408,861,438	5,115,649,076

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

	2021 Ushs	2020 Ushs
Profit before income tax	**17,644,677,963**	15,185,700,617
Tax calculated at statutory tax rate of 30%	**5,293,403,389**	4,555,710,185
Tax effects of:		
Expenses not deductible for /subject to tax, and incomes not taxed at 30%*	**(1,399,349,010)**	(94,233,075)
Withholding tax on treasury bills (20%)	**1,514,807,059**	654,171,966
Income tax expense	**5,408,861,438**	**5,115,649,076**

*This includes staff training, welfare and entertainment costs, estimated expenses, non-allowable depreciation and amortisation expenses and interest on government securities.

	2021 Ushs	2020 Ushs
(b) Current income tax payable.		
At 1 January	**2,520,391,242**	56,366,230
Prior Year WHT	**80,865,578**	-
Corporation tax charge for the year	**3,122,723,958**	4,956,532,628
Withholding tax	**1,514,807,059**	654,171,966
Tax paid	**(6,320,584,438)**	(3,146,679,582)
At 31 December	**918,203,399**	**2,520,391,242**

	At start of year Ushs	Charge to profit or loss Ushs	At end of year Ushs
(c) Deferred income tax liability.			
Year ended 31 December 2021			
Deferred income tax liabilities			
Accelerated depreciation on property and equipment, and right of use assets	7,544,481,410	916,481,584	8,460,962,994
Revaluation of assets	1,437,991,418	(85,085,885)	1,352,905,533
Deferred income tax assets			
Lease liabilities	(5,943,847,386)	(729,292,315)	(6,673,139,701)
Provisions	(658,850,895)	(206,591,748)	(865,442,643)
Loan loss provisions	(974,446,448)	636,414,403	(338,032,045)
Unrealised Exchange losses		(4,602,259)	(4,602,259)
ECL on other financial assets	(481,957,447)	244,006,640	(237,950,807)
Net deferred income tax liability	**923,370,652**	**771,330,420**	**1,694,701,072**

	At start of year Ushs	Charge to profit or loss Ushs	At end of year Ushs
Year ended 31 December 2020.			
Deferred income tax liabilities			
Accelerated depreciation on property and equipment, and right of use assets	4,338,429,373	3,206,052,037	7,544,481,410
Deferred tax on revaluation of assets	1,478,782,867	(40,791,449)	1,437,991,418
Deferred income tax assets			
Lease liabilities	(2,950,597,272)	(2,993,250,114)	(5,943,847,386)
Provisions	(504,785,657)	(154,065,238)	(658,850,895)
Loan loss provisions	(851,046,648)	(123,399,800)	(974,446,448)
ECL on other financial assets	(92,356,493)	(389,600,954)	(481,957,447)
Net deferred income tax liability	**1,418,426,170**	**(495,055,518)**	**923,370,652**

17. EARNINGS PER SHARE.

	2021 Ushs	2020 Ushs
Basic		
Profit attributable to equity holders of the Bank	**12,235,816,525**	10,070,051,541
Weighted average number of ordinary shares in issue	**9,800,688**	7,604,552
Basic and diluted earnings per share (expressed in Ushs per share)	**1,248**	**1,324**

Earnings Per Share (EPS) is calculated by dividing net income attributable to the Bank's shareholders, by the average number of common shares outstanding. There were no potentially dilutive shares as at 31 December 2021 (2020: Nil). Therefore, diluted earnings per share are the same as the basic earnings per share.

18. CASH AND BALANCES WITH BANK OF UGANDA.

	2021 Ushs	2020 Ushs
Cash at hand	**29,876,886,100**	27,972,723,349
Balances with the Central Bank	**12,128,502,108**	3,516,035,466
	42,005,388,208	31,488,758,815
Provision for Expected Credit Losses	**(427,714)**	(924,482)
	42,004,960,494	31,487,834,333

19. GOVERNMENT SECURITIES.

	2021 Ushs	2020 Ushs
Treasury bills	**30,771,873,001**	48,444,061,208
Provisions for Expected Credit Losses	**(21,421,393)**	(330,396,458)
	30,750,451,608	48,113,664,750

Government treasury bills are debt securities issued by Bank of Uganda for a term of three months, six months or one year. The weighted average effective interest rate on treasury bills was 13.14% (2020: 12.8%). The carrying amount of debt instruments held at amortised cost, approximates their fair value. There were no transfers across stages and as such all the Instruments were classified in stage 1. The movements in provisions for expected credit losses relate to changes in amounts outstanding and days to maturity of the balances held.

20. PLACEMENTS AND DEPOSITS DUE FROM OTHER BANKS.

	2021 Ushs	2020 Ushs
Placement with other banks	**125,026,271,754**	135,481,673,740
Deposits due from other banks	**4,857,486,275**	45,449,464,414
	129,883,758,029	180,931,138,154
Provision for Expected Credit Losses	**(326,898,571)**	(509,507,805)
	129,556,859,458	180,421,630,349

The weighted average effective interest rate on deposits from other Banks was 12.58% (2020:12.8 %). The placements with other Banks comprise short-term placements for 1 day to 30 days and fixed deposits that do not exceed 12 months. There were no transfers across stages and as such all the Instruments were classified in stage 1. The movements in provisions for expected credit losses relate to changes in amounts outstanding and days to maturity of the balances held.

Below are the gross amounts of balances held in Banks:

	2021 Ushs	2020 Ushs
Citibank Uganda Limited	147,395,656	15,272,533,409
Stanbic Bank Uganda Limited	2,042,369,162	7,823,732,307
Centenary Rural Development Bank	681,905,166	4,363,771,215
Absa Bank Uganda Limited	-	22,511,260,274
KCB Bank Uganda Limited	20,617,296,816	12,508,000,000
Ecobank Uganda Limited	5,000,657,534	4,109,512,469
Equity Bank Uganda Limited	22,455,367,818	15,949,582,495
Bank of Africa	31,312,845,494	15,958748,031
Diamond Trust Bank	-	11,121,467,991
United Bank for Africa	12,921,453,135	8,052,591,781
DFCU Bank Limited	-	13,321,437,251
Cairo Bank Uganda	5,549,458,904	6,111,506,793
NCBA Bank Uganda Limited	2,187,710,971	12,367,795,195
Finance Trust Bank Limited	6,475,014,692	7,869,781,767
Opportunity Bank Uganda Limited	5,824,917,808	5,201,104,305
Pride Microfinance Limited	6,201,460,234	9,922,394,928
Finca Uganda Limited	6,511,116,438	6,825,516,794
Sparkasse Aachen Bank	1,954,788,201	1,640,401,149
	129,883,758,029	**180,931,138,154**

21. LOANS AND ADVANCES TO CUSTOMERS.

	2021 Ushs	2020 Ushs
(a) Gross Loans.		
Agricultural loans	**111,857,060,706**	88,772,307,956
Business loans	**135,141,928,925**	137,069,330,272
Group loans	**1,747,795,162**	6,699,555,506
Personal loans	**208,744,687,625**	102,193,124,062
Staff loans	**15,553,806,212**	16,392,903,396
Gross loans and advances	**473,045,278,630**	351,127,221,192
Less allowance for expected credit losses	**(13,571,180,262)**	(7,376,512,476)
Discount on staff loans-marked to market	**(4,609,478,846)**	(4,372,537,645)
IFRS deferred fees account	-	(4,687,813,739)
	454,864,619,522	**334,690,357,332**

	2021 Ushs	2020 Ushs
(b) Impairment allowance for loans and advances to customers.		
At 1 January	**7,376,512,476**	5,871,106,822
Impaired accounts written off	**(6,580,162,336)**	(4,596,978,130)
Expected credit loss expense for the year	**12,774,830,122**	6,102,383,784
At 31 December	**13,571,180,262**	**7,376,512,476**

	2021 Ushs	2020 Ushs
(c) Movement in regulatory credit risk reserve.		
BoU impairment provision (a)		
Specific provision- FIA and MDI Act	**12,444,406,781**	4,744,012,492
General provision- FIA and MDI Act	**4,565,088,837**	3,335,750,880
	17,009,495,618	8,079,763,372
IFRS expected credit losses (b)		
Individual impairment	**6,842,574,803**	3,171,737,701
Collective impairment	**6,728,605,459**	4,204,774,775
	13,571,180,262	7,376,512,476
Regulatory credit risk reserve [(a) – (b)] *	**3,438,315,356**	**703,250,896**

*The regulatory credit risk reserve relates to the excess of BOU impairment provisions over IFRS 9 impairment provisions.

Below is an analysis of gross carrying amounts per segments with the expected credit risk losses and transfers across stages for the year 31 December 2021 and 31 December 2020:

(i) Agricultural loans.	2021			2021 Total
	Stage 1 Collective	Stage 2 Collective	Stage 3	
Gross carrying amount as at 1 January 2021	79,737,536,077	2,802,719,351	6,232,052,528	88,772,307,956
Disbursements	64,193,106,555	39,714,044,003	21,670,731,077	125,577,881,635
Repayments	(98,335,481,673)	(700,760,262)	(2,614,665,597)	(101,650,907,532)
Transfers to Stage 1	175,610,604	(174,489,884)	(1,120,720)	-
Transfers to Stage 2	18,630,521,610	(19,624,580,383)	994,058,773	-
Transfers to Stage 3	9,934,241,800	600,975,030	(10,535,216,830)	-
Write-offs during the year	(1,600,000)	-	(840,621,353)	(842,221,353)
At 31 December 2021	**74,333,934,974**	**22,617,907,854**	**14,905,217,878**	**111,857,060,706**

	2020			2020 Total
	Stage 1 Collective	Stage 2 Collective	Stage 3	
Gross carrying amount as at 1 January 2020	46,326,401,864	2,063,947,991	2,299,229,653	50,689,579,508
Disbursements	76,149,650,000	1,393,150,000	1,528,116,700	79,070,916,700
Repayments	(36,848,255,790)	(979,537,025)	(2,107,607,972)	(39,935,400,787)
Transfers to Stage 1	1,016,766,738	(841,358,562)	(175,408,176)	-
Transfers to Stage 2	(1,872,238,232)	1,873,015,298	(777,066)	-
Transfers to Stage 3	(5,034,788,503)	(701,725,421)	5,736,513,924	-
Write-offs during the year	-	(4,772,930)	(1,048,014,535)	(1,052,787,465)
At 31 December 2020	**79,737,536,077**	**2,802,719,351**	**6,232,052,528**	**88,772,307,956**

	2021			2021 Total
Corresponding ECLs:	Stage 1 Collective	Stage 2 Collective	Stage 3	
ECLs as at 1 January 2021	7,265,280	1,023,083	238,025,339	246,313,702
ECL Movements	77,434,366	(1,278,726)	806,947,428	883,103,068
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(818,056)	818,056	-	-
Transfers to Stage 3	(2,443,988)	(521,225)	2,965,213	-
Write-offs during the year	(2,380)	-	(2,975,346)	(2,977,726)
At 31 December 2021	**81,435,222**	**41,188**	**1,044,962,634**	**1,126,439,044**

	2020			2020 Total
Corresponding ECLs:	Stage 1 Collective	Stage 2 Collective	Stage 3	
ECLs as at 1 January 2020	986,939,083	(46,324,784)	(384,275,753)	556,338,546
ECL Movements	(947,994,033)	59,855,607	717,298,255	(170,840,171)
Transfers to Stage 1	18,376,057	(9,391,531)	(8,984,526)	-
Transfers to Stage 2	(19,717)	19,717	-	-
Transfers to Stage 3	(50,036,110)	(3,135,926)	53,172,036	-
Write-offs during the year	-	-	(139,184,673)	(139,184,673)
At 31 December 2020	**7,265,280**	**1,023,083**	**238,025,339**	**246,313,702**

(ii) Business loans.

	2021			2021 Total
	Stage 1 Collective	Stage 2 Collective	Stage 3	
Gross carrying amount as at 1 January 2021	109,449,707,471	3,659,979,921	23,959,642,880	**137,069,330,272**
Disbursements	54,388,019,387	78,100,355,785	26,955,270,297	**159,443,645,469**
Repayments	(150,018,051,282)	(1,496,098,596)	(6,482,104,818)	**(157,996,254,696)**
Transfers to Stage 1	153,491,086	(130,959,312)	(22,531,774)	**-**
Transfers to Stage 2	40,210,232,727	(41,239,710,648)	1,029,477,921	**-**
Transfers to Stage 3	12,529,957,438	1,175,324,344	(13,705,281,782)	**-**
Write-offs during the year	(141,092,327)	(1,363,489)	(3,232,336,304)	**(3,374,792,119)**
At 31 December 2021	**66,572,264,500**	**40,067,528,005**	**28,502,136,420**	**135,141,928,925**

(ii) Business loans.

	2020			2020 Total
	Stage 1 Collective	Stage 2 Collective	Stage 3	
Gross carrying amount as at 1 January 2020	92,582,893,975	16,305,365,773	5,186,698,852	114,074,958,600
Disbursements	82,001,578,200	1,955,350,000	2,613,940,000	86,570,868,200
Repayments	(57,349,135,687)	(2,863,644,563)	(560,203,308)	(60,772,983,558)
Transfers to Stage 1	1,728,309,073	(1,462,058,162)	(266,250,911)	-
Transfers to Stage 2	(1,227,739,956)	1,232,109,602	(4,369,646)	-
Transfers to Stage 3	(8,286,198,134)	(11,501,885,688)	19,788,083,822	-
Cash flows due to modification				
Write-offs during the year	-	(5,257,041)	(2,798,255,929)	(2,803,512,970)
At 31 December 2020	**109,449,707,471**	**3,659,979,921**	**23,959,642,880**	**137,069,330,272**

	2021			2021 Total
Corresponding ECLs:	Stage 1 Collective	Stage 2 Collective	Stage 3	
ECLs as at 1 January 2021	79,922,466	4,045,637	1,226,813,528	1,310,781,631
ECL Movements	1,757,282	(58,707,680)	2,272,967,448	2,216,017,050
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(26,082,753)	57,845,390	(31,762,637)	-
Transfers to Stage 3	(15,411,472)	(2,844,697)	18,256,169	-
Write-offs during the year	(1,563,983)	-	(386,668,846)	(388,232,829)
At 31 December 2021	**38,621,540**	**338,650**	**3,099,605,662**	**3,138,565,852**

	2020			2020 Total
Corresponding ECLs:	Stage 1 Collective	Stage 2 Collective	Stage 3	
ECLs as at 1 January 2020	3,554,118,908	14,031,527	(1,472,719,914)	2,095,430,521
ECL Movements	(3,549,898,979)	591,456,427	2,895,776,194	(62,666,358)
Transfers to Stage 1	100,362,801	(72,902,581)	(27,460,220)	-
Transfers to Stage 2	(3,378,699)	3,378,699	-	-
Transfers to Stage 3	(21,281,565)	(531,775,386)	553,056,951	-
Write-offs during the year	-	(143,049)	(721,839,483)	(721,982,532)
At 31 December 2020	**79,922,466**	**4,045,637**	**1,226,813,528**	**1,310,781,631**

(iii) Group loans.

	2021			2021 Total
	Stage 1 Collective	Stage 2 Collective	Stage 3	
Gross carrying amount as at 1 January 2021	5,372,209,759	275,342,042	1,052,003,705	6,699,555,506
Disbursements	514,092,979	633,476,804	1,936,673,431	3,084,243,214
Repayments	(5,629,243,834)	(226,136,766)	(1,017,671,180)	(6,873,051,780)
Transfers to Stage 1	2,428,525	(2,428,525)	-	-
Transfers to Stage 2	173,459,657	(175,322,250)	1,862,593	-
Transfers to Stage 3	611,932,986	41,060,712	(652,993,698)	-
Write-offs during the year	(508,047,221)	(55,430,731)	(599,473,826)	(1,162,951,778)
At 31 December 2021	**536,832,851**	**490,561,286**	**720,401,025**	**1,747,795,162**

(iii) Group loans.

	2020			2020 Total
Particulars	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3**	
Gross carrying amount as at 1 January 2020	4,712,411,518	127,752,028	388,455,811	5,228,619,357
Disbursements	7,478,070,000	211,050,000	689,850,000	8,378,970,000
Repayments	(6,319,064,614)	(68,250,688)	(520,718,549)	(6,908,033,851)
Transfers to Stage 1	39,173,332	(34,285,283)	(4,888,049)	-
Transfers to Stage 2	(66,624,923)	66,624,923	-	-
Transfers to Stage 3	(471,755,554)	(27,548,938)	499,304,492	-
Write-offs during the year	-	-	-	-
At 31 December 2020	**5,372,209,759**	**275,342,042**	**1,052,003,705**	**6,699,555,506**

	2021			2021 Total
Corresponding ECLs:	**Stage 1 Collective**	**Stage 2 Collective**	**Stage 3**	
ECLs as at 1 January 2021	47,265,965	14,158,356	416,243,780	477,668,101
ECL Movements	(11,557,263)	10,765,868	198,989,105	198,197,710
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1,103,910)	1,997,519	(893,609)	-
Transfers to Stage 3	(8,305,786)	(2,247,759)	10,553,545	-
Write-offs during the year	(7,821,628)	(5,266,781)	(318,383,918)	(331,472,327)
At 31 December 2021	**18,477,378**	**19,407,203**	**306,508,903**	**344,393,484**

	2020			2020 Total
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	
ECLs as at 1 January 2020	181,801,077	(7,548,459)	(56,355,828)	117,896,790
ECL Movements	(135,477,489)	21,965,762	473,283,038	359,771,311
Transfers to Stage 1	2,941,477	-	(2,941,477)	-
Transfers to Stage 2	(553,245)	553,245	-	-
Transfers to Stage 3	(1,445,855)	(812,192)	2,258,047	-
At 31 December 2020	**47,265,965**	**14,158,356**	**416,243,780**	**477,668,101**

(iv) Personal Loans.

	2021			2021 Total
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	
Gross carrying amount as at 1 January 2021	96,790,236,520	2,179,448,218	3,223,439,324	102,193,124,062
Disbursements	162,476,929,929	11,665,769,266	7,624,073,391	181,766,772,586
Repayments	(71,238,994,590)	(1,187,212,410)	(1,817,266,246)	(74,243,473,246)
Transfers to Stage 1	354,711,085	(259,630,627)	(95,080,458)	-
Transfers to Stage 2	5,013,081,925	(5,264,750,046)	251,668,121	-
Transfers to Stage 3	3,066,352,308	499,709,325	(3,566,061,633)	-
Write-offs during the year	(18,292,894)	(3,615,320)	(949,827,563)	(971,735,777)
At 31 December 2021	**196,444,024,283**	**7,629,718,406**	**4,670,944,936**	**208,744,687,625**

(iv) Personal Loans.

	2020			2020 Total
	Stage 1 Collective	Stage 2 Collective	Stage 3	
Gross carrying amount as at 1 January 2020	92,328,543,716	2,201,055,058	2,176,479,630	96,706,078,404
Disbursements	82,613,175,000	1,241,220,000	524,880,000	84,379,275,000
Repayments	(75,120,649,213)	(1,791,670,788)	(1,239,231,647)	(78,151,551,645)
Transfers to Stage 1	673,862,041	(390,642,815)	(283,219,226)	-
Transfers to Stage 2	(1,443,276,638)	1,468,196,798	(24,920,159)	-
Transfers to Stage 3	(2,261,418,386)	(548,710,035)	2,810,128,421	-
Write-offs during the year	-	-	(740,677,695)	(740,677,695)
At 31 December 2020	96,790,236,520	2,179,448,218	3,223,439,324	102,193,124,062

	2021			2021 Total
Corresponding ECLs:	Stage 1 Collective	Stage 2 Collective	Stage 3	
ECLs as at 1 January 2021	3,729,384,703	257,448,786	1,215,640,641	5,202,474,130
ECL Movements	1,782,948,752	834,811,497	1,583,678,121	4,201,438,370
Transfers to Stage 1	93,021,080	(51,337,490)	(41,683,590)	-
Transfers to Stage 2	(96,565,172)	141,491,077	(44,925,905)	-
Transfers to Stage 3	(74,591,198)	(92,582,471)	167,173,669	-
Write-offs during the year	(48,884)	(223,147)	(590,997,886)	(591,269,917)
At 31 December 2021	**5,434,149,283**	**1,089,608,251**	**2,288,885,050**	**8,812,642,583**

	2020			2020 Total
	Stage 1 Collective	Stage 2 Collective	Stage 3	
ECLs as at 1 January 2020	3,265,601,470	117,988,397	(483,316,675)	2,900,273,192
ECL Movements	292,257,024	260,635,302	2,135,780,693	2,688,673,019
Transfers to Stage 1	221,109,638	(63,877,811)	(157,231,827)	-
Transfers to Stage 2	(23,738,714)	37,778,937	(14,040,223)	-
Transfers to Stage 3	(25,844,715)	(95,076,039)	120,920,754	-
Write-offs during the year	-	-	(386,472,081)	(386,472,081)
At 31 December 2020	**3,729,384,703**	**257,448,786**	**1,215,640,641**	**5,202,474,130**

(v) Staff Loans.

	2021			2021 Total
	Stage 1 Collective	Stage 2 Collective	Stage 3	
Gross carrying amount as at 1 January 2021	15,355,446,420	116,173,563	921,283,413	16,392,903,396
Disbursements	5,021,712,302	21,322,382	14,455,153	5,057,489,837
Repayments	(7,819,055,808)	379,869,618	1,771,060,477	(5,668,125,713)
Transfers to Stage 1	314,461,412	-	(314,461,412)	-
Transfers to Stage 2	240,373,787	(266,576,860)	26,203,073	-
Transfers to Stage 3	1,009,662,179	52,917,331	(1,062,579,510)	-
Write-offs during the year	-	-	(228,461,308)	(228,461,308)
At 31 December 2021	**14,122,600,292**	**303,706,034**	**1,127,499,886**	**15,553,806,212**

(v) Staff Loans.

	2020			2020 Total
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	
Gross carrying amount as at 1 January 2020	13,883,220,982	218,570,607	249,431,473	14,351,223,062
Disbursements	6,982,958,344	92,387,188	61,959,000	7,137,304,532
Repayments	(4,961,491,221)	-	(134,132,977)	(5,095,624,198)
Transfers to Stage 1	32,343,440	(32,343,440)	-	-
Transfers to Stage 2	(23,786,376)	23,786,376	-	-
Transfers to Stage 3	(557,798,749)	(186,227,168)	744,025,917	-
Amounts written off	-	-	-	-
At 31 December 2020	**15,355,446,420**	**116,173,563**	**921,283,413**	**16,392,903,396**

	2021			2021 Total
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	
ECLs as at 1 January 2021	64,260,496	-	75,014,417	139,274,913
ECL Movements	(6,488,456)	(6,618,567)	31,793,138	18,686,115
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(4,189,911)	6,618,567	(2,428,656)	-
Transfers to Stage 3	(7,055,387)	-	7,055,387	-
Write-offs during the year	-	-	(8,821,730)	(8,821,730)
At 31 December 2021	**46,526,742**	**-**	**102,612,556**	**149,139,298**

	2020			2020 Total
	Stage 1 Collective	**Stage 2 Collective**	**Stage 3**	
ECLs as at 1 January 2020	273,325,643	(38,118,586)	(34,039,285)	201,167,772
ECL Movements	(204,202,358)	50,032,965	92,276,534	(61,892,859
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(31,352)	31,352	-	-
Transfers to Stage 3	(4,831,437)	(11,945,731)	16,777,168	-
Write-offs during the year	-	-	-	-
At 31 December 2020	**64,260,496**	**-**	**75,014,417**	**139,274,913**

22. OTHER ASSETS.

	2021 Ushs	2020 Ushs
Clearances in transit from branches	**-**	267,799,072
Prepayments	**1,806,117,310**	563,628,023
Consumables	**704,015,799**	631,576,134
Other accounts receivable	**2,048,190,380**	6,410,763,217
Mobile money float	**5,082,497,650**	5,935,489,893
Deferred employee benefits	**4,609,478,846**	4,372,537,645
Security deposits	**185,150,000**	235,150,000
	14,435,449,985	18,416,943,984

Based on the assessment done, the other assets balances as at 31 December 2021 and 31 December 2020 were found to have immaterial provisions for expected credit losses.

23. RECEIVABLES FROM BUSINESS CONTRACTS.

	2021 Ushs	2020 Ushs
Current assets	**3,011,481,370**	5,124,554,622
Provision for expected credit losses	**(441,245,363)**	(765,696,082)
	2,570,236,007	4,358,858,540

Assets and liabilities related to contracts with customers: Contract assets relate to amounts due from contracts with WFP, REA, DRC, LWF, URS, Oxfam, and Save the Children.

The fees earned in exchange for these services are recognised at a point in time the transaction is completed because the counterparties only receive the benefits of the Bank's performance upon successful completion of the underlying transaction. The Bank is only entitled to the fee on the completion of the transaction. Payment of the transaction fees is typically due within thirty days of raising the tax invoice.

The drop in the contract assets and movement in provision for expected credit losses in 2021 was mainly due to decreased payment volumes and non-renewal of SAGE contract. The Bank maintained 100% ECLs on an overdue asset amounting to Ushs 400,089,600 from REA. Other invoices raised have been settled by the counterparties.

24. INTANGIBLE ASSETS.

	2021 Ushs	2020 Ushs
Cost.		
At 1 January	**12,962,280,212**	9,739,030,268
Reclassifications	**(21,996,300)**	-
Additions	**495,442,555**	336,037,959
Transfers from WIP	**1,802,469,637**	2,887,211,985
Write-offs	**(3,338,939,787)**	-
At 31 December	**11,899,256,317**	**12,962,280,212**
Armortisation.		
At 1 January	**7,466,927,524**	6,323,779,656
Reclassifications	**(18,195,181)**	-
Charge for the year	**1,869,077,652**	1,143,147,868
Write offs	**(3,254,131,051)**	-
At 31 December	**6,063,678,944**	**7,466,927,524**
Net carrying amount.		
At 31 December	**5,835,577,373**	**5,495,352,688**

The intangible assets relate to the computer software licenses including among others: Finacle (core Banking system), generator fuel monitoring systems, windows, utility payment systems, among others. The Bank amortises intangible assets with a limited useful life using the straight-line method over five (5) years.

25. PROPERTY AND EQUIPMENT.

	Land & Buildings Ushs	Furniture, Fittings & Equipment Ushs	Computer Equipment Ushs	Motor Vehicles Ushs	WIP Ushs	Total Ushs
Cost / Valuation						
At 1 January 2021	10,495,316,400	28,267,070,509	14,358,357,559	8,112,544,626	3,162,933,994	64,396,223,088
Adjusting Opening Bal	(152,463,954)	124,158	174,333,917			21,994,121
Additions*	175,535,000	3,152,951,415	4,767,658,099	1,164,293,797	10,688,801,887	19,949,240,198
Additions-branches	-	115,814,857	-	-	-	115,814,857
Transfers from WIP		893,502,952	-	-	(893,502,952)	
Transfer to intangibles		-	-	-	(1,802,469,637)	(1,802,469,637)
Disposals		(159,206,386)	(8,320,583)	(952,613,778)	-	(1,120,140,747)
Write offs		(4,199,443,966)		(10,583,780)	(466,961,405)	(4,676,989,151)
At 31 December 2021	**10,518,387,446**	**28,070,813,539**	**19,292,028,992**	**8,313,640,865**	**10,688,801,887**	**76,883,672,729**
Depreciation						
At 1 January 2021	665,625,072	17,298,518,029	10,490,311,815	6,275,698,542	-	34,730,153,458
Re-classifications	(7137,292)	(26,826,884)	76,534,457			42,570,281
Charge for the year	274,900,392	2,462,669,818	2,121,956,795	946,266,404	-	5,805,793,409
Disposals		(159,206,386)	(7,451,356)	(791,072,508)		(957,730,250
Write offs*	-	(4,102,003,490)	-	(10,583,780)		(4,112,587,270)
At 31 December 2021	**933,388,172**	**15,473,151,099**	**12,681,351,711**	**6,420,308,658**	**-**	**35,508,199,628**
Net carrying amount						
At 31 December 2021	**9,584,999,274**	**12,597,662,452**	**6,610,677,281**	**1,893,332,207**	**10,688,801,887**	**41,375,473,101**
At 31 December 2020	**9,829,691,328**	**10,968,552,480**	**3,868,045,744**	**1,836,846,084**	**3,162,933,994**	**29,666,069,630**

*The write-offs mainly relate to branch refurbishments that had outlived their useful life, and revenue items recognised as capital expenses in prior years. (ii) Additions in WIP mainly relate to ongoing system upgrade project and branch improvements that were commenced, but not completed for economic benefits to flow to the Bank within the reporting period hence not depreciated during the reporting period. (iii) Land has been acquired to accommodate the Bank Warehouse premises.

i. Capital work-in-progress represents ongoing construction work at various branches of the Bank and an upgrade of the software.
ii. The Bank's title to land and buildings on plot 4/6 Nkrumah Road Kampala was pledged as security on the UDB Loan.
iii. Land and buildings were last revalued on open market value and depreciated replacement cost basis, respectively, by a professional valuer (Reitis Limited) as at 31 December 2018. The resulting surplus on revaluation was adjusted to the book values of the properties and credited to revaluation reserve. The Bank's policy is to revalue buildings regularly to ensure that the carrying amounts do not differ materially from the fair value at the end of each reporting period.
iv. The Bank does not have any property and equipment held for sale

26. RIGHT OF USE ASSETS.

Particulars	Land Ushs	Office space Ushs	Vehicles Ushs	Total Ushs
Cost / Valuation				
At 1 January 2021	1,987,841,486	21,754,948,982	5,359,686,106	29,102,476,574
Additions	-	6,863,683,351	-	6,863,683,351
Write-offs	-	(2,461,147,035)	-	(2,461,147,035)
At 31 December 2021	**1,987,841,486**	**26,157,485,298**	**5,359,686,106**	**33,505,012,890**
Depreciation				
At 1 January 2021	-	5,002,905,243	2,195,503,093	7,198,408,336
Adjust 1 Jan 2021	-	151,876,821	-	151,876,821
Charge for the year	-	3,205,844,808	1,162,415,905	4,368,260,713
Write-offs	-	(2,112,052,616)		(2,112,052,616)
At 31 December 2021	-	**6,248,574,256**	**3,357,918,998**	**9,606,493,253**
At 31 December 2021	1,987,841,486	19,908,911,042	2,001,767,108	23,898,519,636
At 31 December 2020	1,987,841,486	16,752,043,739	3,164,183,013	21,904,068,238

27. AMOUNTS DUE TO OTHER BANKS.

	2021 Ushs	2020 Ushs
Amounts due to other banks	**1,962,352,351**	1,172,913,237

The weighted average effective interest rate on deposits and balances due to other banks was 0.89% (2020: 0.51%). The carrying amount of amounts due to other Banks approximates to fair value.

28. CUSTOMER DEPOSITS.

	2021 Ushs	2020 Ushs
Savings accounts	**364,347,727,768**	353,342,653,903
Fixed deposit accounts	**142,945,576,365**	95,633,965,541
	507,293,304,133	448,976,619,444

The weighted average effective interest rates on savings and fixed deposits were 0.89% and 7.36%, respectively (2020: 0.92% and 8.16%, respectively). All fixed deposits have a tenor of twelve months and below.

29. BORROWINGS.

Particulars	Solar loan- UECCC 2 Ushs	UDB loans Ushs	Oiko loans Ushs	Total Ushs
At 1 January 2021	163,154,458	63,076,609,860	-	63,239,764,318
Additions	-	10,000,000,000	-	10,000,000,000
Interest on borrowings	9,945,494	4,651,288,770	-	4,661,234,264
Interest paid	(9,945,494)	(4,498,340,126)	-	(4,508,285,620)
Principal repayment	(163,154,458)	(9,308,203,796)	-	(9,471,358,254)
At 31 December 2021	**-**	**64,038,021,341**	**-**	**63,921,354,708**
At 1 January 2020	326,308,906	16,435,633,861	229,966,060	16,991,908,827
Additions	-	50,000,000,000	-	50,000,000,000
Interest on borrowings	23,315,443	2,175,123,579	-	2,198,439,022
Interest paid	(23,315,441)	(1,430,776,748)	-	(1,454,092,189)
Principal repayment	(163,154,450)	(4,103,370,832)	(229,966,060)	(4,496,491,342)
At 31 December 2020	163,154,458	63,076,609,860	-	63,239,764,318

The weighted average borrowing rate for these facilities is 7.08% (2020: 6.82%).

a. Solar loan-UECCC.

This is a solar loan refinance scheme in form of credit support facility managed by Uganda Energy Credit Capitalisation Company Limited. As at the end of the period, the balance of US$50,000 had been received bringing the total amount received so far to $250,000. This loan is unsecured and is for a period of 10 years expired in June 2021. Interest is paid quarterly at a fixed rate of 8.15% and this is to remain fixed throughout the loan period. Repayment of the principal is to be made in eighteen equal half yearly instalments, i.e., every 30th June and 31st December, commencing twelve months after the date of the first disbursement. The loan was fully repaid during the year 2021.

b. UDB loans.

Below is the breakdown of UDB loans

	Principal Ushs	Outstanding Ushs
UDB1	15,000,000,000	8,156,119,556
UDB 2	20,000,000,000	18,583,174,613
UDB 3	40,000,000,000	37,182,060,539
At 31 December 2021	**75,000,000,000**	**63,921,354,708**

The Bank drew down the final tranche of Ushs 10 billion on the fully secured Ushs 20 billion which it acquired in 2020.

The Ushs 20 billion is fully secured by a legal mortgage over land and property on volume MBR570 and HQT750, HQT1289 plot 95 & 96 Buruli, Bulemeezi plot 23 bloc 29, customary title at Anaka Town council, customary property at Acholi inn Kotido Municipality, leasehold register volume 448 plot 4 & 6 Nkrumah road, fixed and floating debenture over moveable & immoveable assets, comprehensive insurance on all mortgaged property.

The Ushs 40 billion is secured by 120% of performing portfolio and is mainly for the implementation of Government's import replacement and export promotion strategy. In addition to these two loans, the Bank has a running facility of Ushs 15 billion for 5 years at a rate of 10% acquired in 2019 with payments due quarterly. During the year 2021,It fully paid off Ushs 6.069 billion borrowed in 2016 for a period of 5 years at a rate of 11%.

30. GRANTS.

	2021 Ushs	2020 Ushs
Capital grants	**720,453,661**	-
Other grants	**957,646,501**	3,904,340,187
At 31 December 2021	**1,678,100,162**	**3,904,340,187**

Particulars	WSBI Grant Ushs	ABI-Trust Grant Ushs	Water Credit Project Ushs	NRC Grant Ushs	FSDU Grant Ushs	IFAD Grant Ushs	CARE Grant Ushs	Heifer Grant Ushs	NCBA CLUSA Grant Ushs	Total Ushs
At 1 January 2021	500,330,268	290,914,001	582,533,266	-	48,546	347,433,266	12,984,234	2,143,242,146	26,854,460	3,904,340,187
Adjust 1 January 2021	-	-	(366,137,758)	366,137,758				(1,080,000,000)	-	(1,080,000,000)
Additions	-	455,422	269,712,960	-	-	-			2,969,569	273,137,951
Repayments		(144,055,401)	(109,892,000)			(347,433,266)		(99,265,929)	-	(700,646,596)
Loan disbursements		-	-	-	-	-		(891,597,505)	-	(891,597,505)
Grant income to P&L	(500,330,268)	(4,400,459)	-	-	(48,546)	-	(12,984,234)	-	(29,824,029)	(547,587,536)
At 31 December 2021	**-**	**142,913,563**	**376,216,468**	**366,137,768**	**-**	**-**	**-**	**72,378,712**	**-**	**957,646,501**
At 1 January 2020	500,330,268	290,914,001	181,582,383	-	48,546	937,779,501	2,143,632	718,050,000	26,854,460	2,657,702,791
Additions	-		530,809,883	-	-	-	11,410,602	1,440,000,000	-	1,982,220,485
Grant income released to profit or loss			(129,859,000)	-	-	(590,346,235)	(570,000)	(14,807,854)	-	(735,583,089)
At 31 December 2020	**500,330,268**	**290,914,001**	**582,533,266**	**-**	**48,546**	**347,433,266**	**12,984,234**	**2,143,242,146**	**26,854,460**	**3,904,340,187**

Capital grants amortization

Particulars	Abi Trust Ushs	CARE Ushs	Total Ushs
At 1 January 2021	1,216,416,882	55,727,516	1,272,144,398
Amortization as at 1 Jan 2021	(497,162,226	(25,821,447	(522,983,673
Additions	-	-	-
Amortization during the year	(26,404,919	(2,302,145	(28,707,067
At 31 December 2021	**692,849,737**	**27,603,924**	**720,453,661**

*Relates to capital grant balances reclassified from 2020 other liabilities.

a. WSBI Grant.

The Bank is a member of the World Savings Bank Institute (WSBI) and through this collaboration, the Bank entered into a Memorandum of Understanding with WSBI in 2010 to implement their project called "Working with savings Banks in order to double the number of savings accounts for the poor". This project was expected to cost USD 1 million of which the Bank will contribute 20% and WSBI 80%. The total amount of grants received so far is USD 550,000. The projects supported the engagement of individual group members with the Bank operating on both the core banking and mobile interface. Through the projects, the Bank carried out research on how youth and women manage their livelihood at household level. The partnership of some projects was terminated, and refunds of excess funds was done by 31 December 2021.

b. aBi Development Grant.

This is a grant from aBi Development Limited. It was extended to support opening up of branches like Kotido and Anaka. The grant further supported the Bank in the acquisition of Solar ATMs which were installed in several contact centres to ease access of funds and Bank services by several customers in rural areas. Several projects closed however aBi development continues to support the Bank to increase access to financial services.

c. Water Credit Grant.

The Bank entered into an agreement with water.org in 2013 for a 5-year project. In 2019, the Bank renewed its partnership and committed $251,321 for the project for landscape research, strategic and operational planning, stakeholder engagements, product development and marketing, loan administration, program monitoring & evaluation, portfolio viability and Administration and governance activities. At close of December 2021, the Bank received an extension of 6 months to 30, June 2022 to enable the Bank realise its objectives and cover for the time lost during the COVID -19 period. To further support customers in the Water and Sanitation space, the Bank developed synergies with water for people who provide 80% guarantee for WASH loans disbursed in Kamwenge and Soroti.

d. FSDU Grant.

The Financial Sector Deepening Uganda extended a grant to Post Bank Uganda Ltd for the Digital Financial Access Project. The total value of the grant was agreed not to exceed $ 260,436 (US Dollars two hundred sixty thousand four hundred thirty-six only). The agreement was signed on the 19th day of October 2015 and was extended to 2018. The funds provided under this agreement were purposed toward the Digital Financial Access Project, the development of the prepaid payment services via point of sale and joint venture with mobile money operators. It enabled both the Bank and non-Bank customers to withdraw and deposit funds from merchant stores, Post Bank and Interswitch ATMs. To this effect FSDU made the first disbursement towards this project amounting to USD 203,623 (USD Dollars two hundred and three thousand six hundred twenty-three only) in November 2015. This project was completed

e. IFAD Grant.

The International Fund for Agricultural Development (IFAD), PBU and Posta Uganda signed a grant agreement aimed at expanding the role of postal networks in the delivery of remittances and access to financial inclusion across the country. The project agreement worth €465,000 (Ushs 1.8b) provides for "Scaling up remittances and financial inclusion in Uganda," It is targeted to provide remittances services in poor rural communities and in refugee settlements. Under the agreement, PBU will leverage Posta Uganda's broad network of rural post offices to expand access to financial services for the rural population. The post offices will be equipped with modern digital and mobile technologies for remittance delivery and financial services transactions, and postal staff will receive specialized training. Through the project, there was an increase both local and international remittances. there was product enhancements especially to meet the needs of the refugees and people in the diaspora. The Bank complied with all the significant grant covenants and the project closed on 31 December 2020.

f. Care Grant.

The agreement was entered into on 1 November 2017 between Cooperative for Assistance and Relief Everywhere, Inc., doing business as Care Uganda and Post Bank Uganda Limited. The major aim of the grant is to overcome challenges that impede putting girls and women at the centre of development. The project is expected to achieve this objective by funding the digital sub wallet for increased financial empowerment of women. The first tranche of the grant was received in 2018 amounting to Ushs 245,311,925 and the second tranche of Ushs 179,539,785 was received in 2019 This project ended in December 2020 with over 1340 accounts opened in southern districts of Bushenyi and Rubirizi. However, the Bank has continued to support the women of Bushenyi post the project period of 2021.

g. Heifer Grant.

The agreement was signed between HEIFER project international, a not-for-profit organization and the Bank on 26 February 2018. The Bank contributes 50% and the HEIFER project contributes 50% to be used to enhance the agriculture loan product. The Bank has so far received Ushs. 1,080,000,000 from Heifer Project International to ensure support is extended to the youth. Through the collaboration, 1000+ youth have been able to benefit from the project funds and establish meaningful projects in their communities.

h. Norwegian Refugee Council (NRC) grant.

The Bank received Ushs. 366,137,768 in 2020 from NRC in collaboration with TENT Foundation to improve livelihoods of young, displaced men, women and children in Uganda. The purpose of funds was to support the refugees to engage in transport business. The project was partly affected by the Covid 19 pandemic, and the Bank continues to assess performance for proper implementation.

31. OTHER LIABILITIES.

	2021 Ushs	2020 Ushs
Accounts payable	**1,063,328,588**	5,917,409,409
Insurance premium	**323,826,409**	302,047,641
National Social Security Fund Contributions	**427,321,604**	414,898,774
Indirect taxes payable	**1,879,465,071**	3,955,460,303
Staff Accrued payables	**1,520,493,311**	700,000,000
Audit fees	**76,700,015**	121,239,091
Cash overs	**43,069,534**	54,377,132
Provision for legal cases	**1,404,166,664**	788,408,000
Staff provident fund	**-**	8,833,314
Other payables	**13,348,893,043**	9,891,210,940
Lease liabilities (Note 31(b))	**22,240,548,691**	19,812,824,620
Agriculture Credit Facility	**8,366,135,223**	10,459,862,865
Provision for Expected credit losses–off balance sheet	**3,919,350**	6,664,544
	50,697,867,503	**52,433,236,633**

Included in other payables is the Agriculture Credit Facility Grant. Government of Uganda ("GoU") set up the Agriculture Credit Facility ("ACF") in 2009 with the purpose of supporting agricultural expansion and modernization in partnership with commercial banks, Uganda Development Bank and other Participating Financial Institutions (PFIs). GoU and PFIs each contributed Ushs 30 billion to this partnership. Upon signing a loan agreement with the eligible borrower and successfully disbursing credit to the borrower, the Bank then applies to the fund administrator Bank of Uganda (BOU) for the 50% GoU contribution to the capital value of the loan disbursed to the borrower. The loan tenure for qualifying loan facilities is a minimum period of six months; while the maximum period is eight years with a maximum grace period of 3 years. The loan tenure and grace period are determined by BOU depending on the project and loan duration. The interest rate charged for loans advanced under this scheme does not exceed 12% and repayments made by the borrowers related to Government contributions are immediately remitted to BOU on a semi-annual basis.

31 (b) Lease liabilities.

The movement in the lease liabilities is as shown below:

	2021 Ushs	2020 Ushs
At 1 January	**19,812,824,620**	8,107,781,906
Additions	**6,569,755,710**	11,097,312,773
Interest expense on lease liabilities	**1,881,117,098**	5,339,587,497
Repayment of interest component	**(1,881,117,098)**	(1,578,633,016)
Repayment of principal component	**(3,730,294,923)**	(3,153,224,540)
Terminated contracts	**(411,736,716)**	-
At 31 December	**22,240,548,691**	**19,812,824,620**

32. SHARE CAPITAL.

	2021 Ushs	2020 Ushs
Authorised: -		
9,800,687 (2020: 7,604,552) ordinary shares of Ushs 10,000 each	**98,006,879,298**	76,045,528,440
Issued and fully paid: -		
At start of year	**76,045,528,440**	71,499,335,290
Capitalisation of reserves	**18,455,047,658**	-
Issue of shares	**3,506,303,200**	4,546,193,150
At end of year	**98,006,879,298**	**76,045,528,440**

Ordinary shares have a par value of Ushs 10,000. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Bank in proportion to the number of and amounts paid on the shares held. No dividends were declared in 2021 (2020: Nil).

During the year, the Bank received an additional Ushs 3. 5 billion from the shareholders, and capitalised retained profits which brought the total paid up capital to Ushs 98 billion. The total number of shares is now 9,800,687 (2020: 7,604,552).

Ordinary shareholders as at 31 December 2021.

As at 31 December 2021, there were ten million (10,000,000) issued ordinary shares of which 9,800,687 (2020: 7,604,552) were fully paid. All the below ordinary shareholders have their registered addresses in Uganda and hold all the 100% fully paid share capital. (They held 100% ordinary shares in 2020).

	No. of Fully Paid Ordinary Shares	% Held
Names of shareholders		
Minister of Finance Planning and Economic Development - Uganda	9,800,686	100.00%
Minister of State for Finance (Privatisation) - Uganda	1	0.00%
Total number of shares	**9,800,687**	**100.00%**

The Bank is owned by the Government of Uganda represented by the above shareholders.

Dividends.

Subject to the provisions of the Bank's Articles and applicable legislation, the Bank in a General Meeting may declare dividends on the ordinary shares by ordinary resolution, but such dividends may not exceed the amount recommended by the Board of Directors. The Board may also pay interim or final dividends if it appears, they are justified by the Bank's financial position.

Voting.

Every member who is present in person or by proxy or represented at any general meeting of the Bank, and who is entitled to vote, has one vote on a show of hands (when a proxy is appointed by more than one member, the proxy will have one vote for and one vote against a resolution if he has received instructions to vote for the resolution by one or more members and against the resolution by one or more members). On a poll, every member who is present or represented and who is entitled to vote has one vote for every share held.

Transfers.

Certificated ordinary shares shall be transferred in writing in any usual or other form approved by the Board and executed by or on behalf of the transferor. The Board may decline to register an instrument of transfer of certificated ordinary shares unless it is duly stamped and deposited at the prescribed place and accompanied by the share certificate(s) and such other evidence as reasonably required by the Board to evidence right to transfer.

Calls on capital.

The Directors may make calls upon the members in respect of any monies unpaid on their shares. A person upon whom a call is made remains liable even if the shares in respect of which the call is made have been transferred.

Interest will be chargeable on any unpaid amount called at a rate determined by the Board (of not more than 5% per annum).

Annual and other general meetings.

The Bank is required to hold an Annual General Meeting (AGM) in addition to such other general meetings as the Directors think fit. The type of the meeting will be specified in the notice calling it. The AGM must be held within six months of the financial year-end. A general meeting may be convened by the Board on requisition in accordance with the applicable legislation. In the case of an AGM, a minimum of 21 clear days' notice is required. The notice must be in writing and must specify the place, the day and the hour of the meeting, and the general nature of the business to be transacted. A notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such. The accidental failure to give notice of a general meeting or the non-receipt of such notice will not invalidate the proceedings at such meeting. Subject as noted above, all shareholders are entitled to attend and vote at general meetings.

Notices.

A document or information may be sent by the Bank in hard copy form, electronic form, by being made available on a website, or by another means agreed with the recipient, in accordance with the provisions set out in the Companies Act, 2012. Accordingly, a document or information may only be sent in electronic form to a person who has agreed to receive it in that form, or, in the case of a company, who has been deemed to have so agreed pursuant to applicable legislation. A document or information may only be sent by being made available on a website if the recipient has agreed to receive it in that form or has been deemed to have so agreed pursuant to applicable legislation and has not revoked that agreement.

Capitalisation of profits.

The Bank may, by ordinary resolution, upon the recommendation of the Board capitalise all or any part of an amount standing to the credit of a reserve or fund to be set free for distribution provided that amounts from the share premium account, capital redemption reserve or any profits not available for distribution should be applied only in paying up unissued shares to be allotted to members credited as fully paid and no unrealised profits shall be applied in paying up debentures of the Bank or any amount unpaid on any share in the capital of the Bank.

33. RESERVES.

Revaluation reserve.

The revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. Revaluation reserves are not distributable.

	2021 Ushs	2020 Ushs
At start of year	**3,295,204,758**	3,431,176,256
Revaluation reserve transfer	**(197,750,257)**	(135,971,498)
At end of year	**3,097,454,501**	**3,295,204,758**

34. COVID-19 PANDEMIC.

The COVID-19 pandemic, which was declared by the World Health Organisation (WHO) persisted throughout 2021 and Uganda underwent a second nationwide lockdown in 2021. Some sectors of the economy were only opened in January 2022, after almost 2 years of closure, following a national Vaccination campaign

The Bank continues to actively monitor the COVID-19 situation and has maintained responses to mitigate risks arising to its people, customers, and suppliers as well as its assets. In the opinionof the Directors, the Bank will continue as going concern on the basis of its responses to then pandemic.

35. CONTINGENT ASSETS AND LIABILITIES.

a. Contingent liabilities.

The Bank is a litigant in several cases which arise from normal day to day Banking activities. The Bank also maintained a provision for cyber fraud during the year 2021. The estimated total exposure is Ushs 1,404,166,664 (2020: Ushs 788,402,000). The Directors and management believe that the Bank has strong grounds for success in majority of these cases and are confident that the ruling will be in the Bank's favour and none of the cases individually or in aggregate would have a significant impact on the Bank's operations.

b Commitments and Guarantees.

	2021 Ushs	2020 Ushs
Guarantees		
Gross	**940,120,890**	879,758,000
ECL impairment (Note 35)	**(836,033)**	-
	939,284,857	879,758,000
Undrawn stand-by facilities (Commitments)	**3,517,249,253**	1,190,146,792
ECL impairment	**(3,083,317)**	(6,664,544)
	3,514,165,936	**1,183,482,248**

The Bank assesses the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification and the conversion factors. The amounts presented are gross of the stated provisions for expected credit losses.

36. RELATED PARTY DISCLOSURES.

The Bank is owned by the Government of Uganda. There are other companies that are related to the Bank through common shareholdings or common directorships. The following transactions were carried out with related parties:

Loans to customers at 31 December include loans to Non-Executive Directors and loans to employees as follows:

Loans to Executive and Non-Executive Directors.	2021 Ushs	2020 Ushs
At start of the year	**641,585,338**	644,780,644
Loans extended during the year	**230,000,000**	798,000,000
Interest earned	**58,033,056**	86,883,870
Loan repayments during the year	**(348,734,381)**	(888,079,176)
At end of year	**580,884,013**	**641,585,338**

Loans to Directors as at 31 December 2021 were neither past due, nor impaired (2020: Nil). The loans are secured. Except for the interest offered, at below market rates, the loans are required to be secured by collateral commensurate to that required under normal lending arrangements. The interest earned on loans to Directors during the year 2021 was Ushs 58,033,056 (2020: Ushs 86,883,870).

Directors' loans.

Names	Position	Rate Ushs	2021 Ushs	2020 Ushs
Lawrence Kasenge	Non- Executive	16%	21,632,325	50,000,000
Beatrice Lagada	Non- Executive	24%	9,860,336	30,747,747
Executive Directors				
Julius Kakeeto	Managing Director	10%	210,400,148	103,107,391
Andrew Kabeera	Executive Director	10%	338,991,204	457,730,200
			580,884,013	**641,585,338**

Loans to employees

At 31 December 2021, advances to employees, net of impairment amounted to Ushs 15,572,527,277 (2020: Ushs 16,253,628,483) of which Ushs 580,884,013 (2020: Ushs 641,585,338) relates to Exco and Directors (including Executive Directors and Non-Executive Directors). The interest rate on all staff loans (excluding Non-Executive Directors) is 10% per annum. The collateral presented for staff loans is disclosed under note 6.3.10; while the movement in gross loans and advances is disclosed under note 21. (e). Interest earned on staff loans during the year amounted to Ushs 1,237,972,583 (2020: Ushs 1,278,773,850). Expected credit losses recognised on staff loans are disclosed under note 21 (e).

Deposits by Directors	**2021 Ushs**	**2020 Ushs**
At start of the year	22,880,268	151,816,079
Movement for the year	69,300,057	(128,935,811)
At end of year	**92,180,325**	**22,880,268**

Deposit accounts held by Directors were non-interest bearing (2020: Nil).

Key Management compensation		
Salaries and other benefits	4,009,718,005	2,290,997,965
Post-employment benefits	720,000,000	659,407,526
	4,729,718,005	**2,950,405,491**
Directors' remuneration		
Directors' emoluments (included in key management compensation)	**2,165,829,295**	1,334,064,632

37. CASHFLOWS FROM OPERATING ACTIVITIES.

		2021 Ushs	**2020 Ushs**
Profit before income tax	**Note**	**17,644,677,963**	**15,185,700,617**
Adjustments for:			
Depreciation of property and equipment	25	5,805,793,408	5,035,286,055
Depreciation of right of use assets	26	4,368,260,713	301,656,069
Amortization of Intangible assets	24	1,869,077,652	1,143,147,868
Interest expense on borrowings	29	4,661,234,264	2,198,439,022
Interest charge on leases	31 (b)	1,881,117,098	5,339,587,497
Expected credit losses on financial assets	12	11,955,553,147	6,266,869,357
Grant release to profit or loss	30	(576,294,606)	(735,583,089)
Disposal gains/Losses	25	2,303,666	-
IFRS 16 gains/losses	26 &31b	(116,242,829)	-
Write offs from WIP	25	466,961,405	-
Other Non-Cash Write offs Exp	15	5,122,238	-
Forex gains/losses	10	15,340,865	1,061,543,638
Cash flows from operating activities		**47,982,904,984**	**35,796,647,034**

38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2021:

	Within 12 months Ushs	After 12 months Ushs	Non Financial Ushs	2021 Ushs
Assets				
Cash and balances with Central Bank	42,004,960,494	-	-	42,004,960,494
Due from Banks	129,556,859,458	-	-	129,556,859,458
Loans and advances to customers	114,566,079,127	340,298,540,395	-	454,864,619,522
Debt instruments at amortised cost	30,750,451,608	-	-	30,750,451,608
Other assets	14,435,449,985	-	-	14,435,449,985
Contract assets	2,570,236,007	-	-	2,570,236,007
Intangible assets	-	-	5,835,577,373	5,835,577,373
Property and equipment	-	-	41,375,473,101	41,375,473,101
Right of use assets	-	-	23,898,519,636	23,898,519,636
Total assets	**333,884,036,679**	**340,298,540,395**	**71,109,570,110**	**745,292,147,184**
Liabilities				
Amounts due to other Banks	1,962,352,351	-	-	1,962,352,351
Customer deposits	507,293,304,133	-	-	507,293,304,133
Corporation tax liability	918,203,399	-	-	918,203,399
Other liabilities	8,381,278,253	42,316,589,249	-	50,697,867,502
Borrowings	11,674,465,065	52,246,889,643	-	63,921,354,708
Grants	1,678,100,163		-	1,678,100,163
Deferred tax liability	-	-	1,694,701,072	1,694,701,072
Total liabilities	**531,907,703,364**	**94,563,478,892**	**1,694,701,072**	**628,165,883,328**

38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	Within 12 months Ushs	After 12 months Ushs	Non Financial Ushs	2021 Ushs
Assets				
Cash and balances with Central Bank	31,487,834,333	-	-	31,487,834,333
Due from Banks	180,421,630,349	-	-	180,421,630,349
Loans and advances to customers	98,995,082,746	235,695,274,586	-	334,690,357,332
Debt instruments at amortised cost	48,113,664,750	-	-	48,113,664,750
Other assets	18,416,943,984	-	-	18,416,943,984
Contract assets	4,358,858,540	-	-	4,358,858,540
Intangible assets	-	-	5,495,352,688	5,495,352,688
Property and equipment	-	-	29,666,069,630	29,666,069,630
Right of use assets	-	-	21,904,068,238	21,904,068,238
Total assets	**381,794,014,702**	**235,695,274,586**	**57,065,490,556**	**674,554,779,844**
Liabilities				
Amounts due to other Banks	1,172,913,237	-		1,172,913,237
Customer deposits	448,976,619,444	-	-	448,976,619,444
Corporation tax liability	2,520,391,242	-	-	2,520,391,242
Other liabilities	26,623,726,089	25,809,510,544	-	52,433,236,633
Borrowings	9,334,598,656	53,905,165,662	-	63,239,764,318
Grants	3,904,340,187	-	-	3,904,340,187
Deferred tax liability	-	-	923,370,652	923,370,652
Total liabilities	**492,532,588,855**	**80,638,046,858**	**923,370,652**	**573,170,635,713**

39. FAIR VALUE MEASUREMENT.

Determination of fair value and fair value hierarchy.

The Bank uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1 – Quoted prices in active markets for identical assets or liabilities. We have no item classified under this level.

Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This class includes Leasehold land and buildings that are revalued regularly to ensure that the market asset carrying amounts do not materially differ from the fair value. The valuation was done as at 31 December 2018 by Reitis Limited.

The following table shows an analysis of assets recorded at fair value by level of the fair value hierarchy. This hierarchy requires the use of observable market data where available. The Bank considers relevant and observable market prices in its valuations where possible. The Bank does not have any liabilities measured at fair value.

At 31 December 2021	Level 3 Ushs	Total Ushs
Assets measured at fair value:		
Land and buildings	**11,350,602,895**	**11,350,602,895**
At 31 December 2020		
Assets measured at fair value:		
Land and buildings	**11,350,602,895**	**11,350,602,895**

There were no transfers between levels 1, 2 and 3 in the year (2020: no transfers).

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	2021		2020	
	Carrying Amount Ushs	Fair Value Ushs	Carrying Amount Ushs	Fair Value Ushs
Financial assets				
Debt instruments at amortised cost	30,750,451,608	30,750,451,608	48,113,664,750	48,113,664,750
Loans and advances to customers	454,864,619,522	454,864,619,522	334,690,357,332	334,690,357,332
Total	**485,615,071,130**	**485,615,071,130**	**382,804,022,082**	**382,804,022,082**
Financial liabilities				
Borrowings	63,921,354,708	47,033,335,052	63,239,764,318	49,932,289,097
Total	**63,921,354,708**	**47,033,335,052**	**63,239,764,318**	**49,932,289,097**

The following methods and assumptions were used to estimate the fair values:

Assets and liabilities for which fair value approximates carrying amounts.

The Bank assessed that the fair values of cash and Bank balances, due from other Banks, customer deposits, other assets, other liabilities, financial guarantees and contract assets approximate their carrying amounts largely due to the short-term maturities of these instruments.

Borrowings.

The estimated fair value of Borrowings is based on discounted cash flows using weighted average cost of capital (WACC) or other prevailing money-market interest rates for debts with similar credit risk and maturity. Borrowings are not highly liquid, but inputs used in fair valuation are observable, either directly or indirectly and are therefore classified at level 2.

Debt instruments at amortised cost.

Debt instruments at amortised cost are treasury bills issued by the government of Uganda with fixed interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification.

Description of significant unobservable inputs to valuation used in the fair value measurements categorised within Level 3.

Valuation of buildings.

The valuers adopted the cost approach which is based on the depreciated replacement cost. With this method, the values for buildings and other improvements are determined by calculating the present-day replacement cost of putting up a similar and functional structure ready to provide the same facilities at the same place but depreciating them accordingly. The valuation technique used is consistent with what was used in the previous valuation.

Valuation of land.

In determining the fair values, the valuer used the market approach by reference to the open market value which is the best price at which the sale of an interest in a property might reasonably be expected to have been completed unconditionally for cash consideration on the date of assessment. The market values considered by the valuers were arrived at after taking into account factors such as location of the property, and proximity to services. The valuation technique used is consistent with what was used in the previous valuation.

Valuation methodologies of financial instruments not measured at fair value.

Below are the methodologies and assumptions used to determine fair values for financial instruments which are not recorded and measured at fair value in the Bank's financial statements. These fair values were calculated for disclosure purposes only:

Loans and advances to customers (level 3).

The fair values of loans and advances to customers are estimated by discounted cash flow models that incorporate assumptions for credit risks. Credit risk is derived from market observable data, such as market lending rates provided by the Bank of Uganda.

Borrowings (level 3).

The fair value of issued debt is estimated by a discounted cash flow model incorporating market observable data such as inter-Bank borrowing rates and the central Bank rate obtained from the Bank of Uganda.

For all other financial instruments not held at fair value, which are short-term in nature, their carrying amounts, approximate fair value.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2021 and 2020 are shown below:

Significant unobservable inputs	Range (weighted average) Ushs / percentage	Percentage change in inputs	Sensitivity of the input to fair value* Ushs
Office property inputs			
Building Materials	2021; 16,843 - 58,345 (10%)	+/- 10%	912,202,782
Cost per square Meter	2020; 16,843 - 58,345 (10%)	+/- 10%	912,202,782
Site work cost as	2021; 15% - 40% (1%)	+/- 1%	19,053,966
Percentage of total cost	2020; 15% - 40% (1%)	+/- 1%	19,053,966
Depreciation rate	2021; 0.7 - 0.9 (1%)	+/- 1%	96,800,364
	2020 0.7 - 0.9 (1%)	+/- 1%	96,800,364
Land valuation inputs			
Cost per acre	2018; Ushs 700,000- Ushs 5,200,000	+/- 2%	4,107,000
	2017; Ushs 700,000- Ushs 5,200,000	+/- 2%	4,024,860

* Sensitivity of inputs to fair value refers to a percentage amount added or deducted from the input and the effect this has on the fair value.

The Bank revalued its land and buildings as at 31 December 2018 and no revaluation was done for the year ended 31 December 2021 in line with the Bank's policy on revaluation. Keeping other factors constant and taking into account the similar percentage change in inputs, The Bank has approximated the comparative information for 2021 by rolling forward the 2018 numbers using the same percentage changes in inputs disclosed above. There were no exchange gains or losses for period included in profit or loss that are attributable to change in unrealised gains or losses relating to land and buildings held at the end of the reporting period.

Indemnity and contact information

40. LONDON INTER BANK OFFERED RATE (LIBOR).

LIBOR transition is the movement of the financial markets away from using LIBOR as the interest rate benchmark to using alternative risk-free benchmark rates. LIBOR is central and deeply embedded in the pricing mechanism for a significant proportion of financial markets transactions worldwide.

The Bank doesn’t hold any financial transactions linked to LIBOR and therefore no disclosures required.

41.

There were no other material events occurring after the reporting date which had an impact on the financial position or results of the Bank.

Indemnity.

Subject to applicable legislation, every Director or other officer of the Bank shall be indemnified by the Bank against any liability in relation to the Bank, whether civil or criminal in which judgment is given in his favour or in which he his acquitted or relief is granted to him by court.

Contact information.

Name: Minister of Finance, Planning & Economic Development
Address: P. O. Box 8147
Location: Kampala, Uganda

Name: Minister of State for Finance, Planning & Economic Development (in charge of privatization unit)
Address: P. O. Box 8147
Location: Kampala, Uganda

BRANCH NETWORK.

Branch	Physical address/Contact	E-mail
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William Street Branch	Plot 68/70 William Street, Kampala. Tel: +256-414-258619	william@Post Bank.co.ug
Ndeeba Branch	Plot 476, Masaka Road, Kampala Tel: +256-414-272663	ndeeba@Post Bank.co.ug
Bugolobi Branch	Plot 69/71, Spring Road, Kampala Tel: +256-414-223227	bugolobi@Post Bank.co.ug
Wandegeya Branch	Plot 359, Bombo Road, Kampala Tel: +256-414-530874	wandegeya@Post Bank.co.ug
Entebbe Branch	Plot 8/9, Apollo Square,Entebbe Tel: +256-414-322522	entebbe@Post Bank.co.ug
Masaka Branch	Plot 23/25, Edward Avenue, Masaka Tel: +256-4851-420253	masaka@Post Bank.co.ug
Mbarara Branch	Plot 49, High Street, Mbarara Tel: +256-392-758551	mbarara@Post Bank.co.ug
Kabale Branch	Plot 139, Kabale/Kisoro Road Kabale Tel: +256-486-422051	kabale@Post Bank.co.ug
Arua Branch	Plot 76/84, Avenue Street, Arua Tel: +256-476-420596	arua@Post Bank.co.ug
Fort Portal Branch	Plot 13, Rukiidi3, F.Portal Tel: +256-483-422245	fortportal@Post Bank.co.ug
Mubende Branch	Plot 49, High Street, Mbarara Tel: +256-464-444457	mubende@Post Bank.co.ug
Kayunga Branch	Bugerere Road, Kayunga Tel: +256-392-758552	kayunga@Post Bank.co.ug
Hoima Branch	Plot 39 F.Portal Road Tel: +256-414-235956	hoima@Post Bank.co.ug
Lira Branch	Plot 13 Soroti Road, Lira. Tel: +256-473-420421	lira@Post Bank.co.ug
Gulu Branch	Plot 31 AirField Road. Gulu. Tel: +256-473-420421	gulu@Post Bank.co.ug
Soroti Branch	Plot 4 Kennedy Square, Tel: +256-454-461021	soroti@Post Bank.co.ug
Mbale Branch	Plot 39/41 Republic Street Tel: +256-454-435376	mbale@Post Bank.co.ug
Jinja Branch	Plot 2 Main Street, Jinja Tel: +256-434-4121232	jinja@Post Bank.co.ug
Iganga Branch	Plot 102 Main Street, Iganga Tel: +256-434-4242075	iganga@Post Bank.co.ug
Nakasongola Branch	Plot 95 Kampala, Iganga Tel: +256-392-758553	nakasongola@Post Bank.co.ug
Kakiri Branch	Plot 272/273 Hoima Road, Tel: +256-392-221434	kakiri@Post Bank.co.ug
Lacor Branch	Juba Road, Tel: +256-471-432161	lacor@Post Bank.co.ug
Kampala Road Branch	Plot 4, Orient House, Kampala Road, Tel: +256-414-250438	kampalaroad@Post Bank.co.ug

Branch	Physical address/Contact	E-mail
Masindi Branch	Plot 44&46 commercial street Masindi. Tel:+256-417157352/3	masindi@Post Bank.co.ug
Bombo Branch	Plot 7, Namaliga Estate, Tel: +256-414-630371	bombo@Post Bank.co.ug
Kitgum Branch	Plot 15/16, Ogwok Road, Tel: +256-471-660432	kitgum@Post Bank.co.ug
Kasese Branch	Plot 68, Margherita street, Tel: +256-483-444285	kasese@Post Bank.co.ug
Kamwenge Branch	Plot 8, Fortportal Road, Tel: +256-483-444302	kamwenge@Post Bank.co.ug
Kanungu Branch	KBS Plaza Building, Independence road, Tel +256-417-157538	kanungu@Post Bank.co.ug
Ntungamo Branch	Plot 77, Old Kabale-Mbarara Road, Tel: +256-417-157521`	ntungamo@Post Bank.co.ug
Usafi Branch	Plot 370, Block 12, Kalitunsi Road, Tel. 0417157547/8	usafi@Post Bank.co.ug
Amolatar Branch	Plot 22, Apwony kali Road, Tel0417157540/1	amolatar@Post Bank.co.ug
Kapchorwa Branch	Plot 73, Mbale – Kitale Road, Tel. 0417157545/6	kapchorwa@Post Bank.co.ug
Bweyale Branch	Plot 233, Kampala – Gulu Road, Tel. 0417157550	bweyale@Post Bank.co.ug
Anaka Branch	Anaka – Gulu Road, Tel. 0417157542/3	anaka@Post Bank.co.ug
Moroto Branch	Lia Road, Plot72-74, Tel. 0417157200	moroto@Post Bank.co.ug
Bukedia Branch	Mbale – Soroti Road, Plot 10 Tel. 0417157200	Bukedia@Post Bank.co.ug
Makerere Branch	Makerere University-CCE, Tel. 0417157200	Makerere@Post Bank.co.ug
Kotido Branch	Plot 43, Senoir Quarters Road Kotido District 0417157630	kotido@Post Bank.co.ug
Pakwach Branch	Plot 2B, Packwach Road, Nebbi district Tel 0417157585	Pakwach@Post Bank.co.ug
Yumbe Branch	Abiriga Road,Yumbe district, Tel. 0417157634	Yumbe@Post Bank.co.ug
Mukono Branch	Plot 42 &44 Jinja Road, Tel. 0417157640	Mukono@Post Bank.co.ug
Butogota Branch	Bwindi Road, Kanungu district Tel. 0417157626	Butogota@Post Bank.co.ug
Rushere Branch	Nyakahita Road, Kiruhura district 0417157608	Rushere@Post Bank.co.ug
Kamdini Branch	Kampala-Gulu Highway Plot 01, Oyam district Tel. 0417157618	Kamdini@Post Bank.co.ug
Bishop Stuart University	Mbarara – Ntungamo Highway 0417157404	Bishopstuart@Post Bank.co.ug
Forest Mall Branch	Plot 3A2 & 3A3, Sports Lane Kampala 0417157502	Forestmall@Post Bank.co.ug
Kyazanga Branch	Masaka- Mbarara Highway , Kyazanga Town 0417157606	kyazanga@Post Bank.co.ug
Kagadi Branch	Starlight lane, Kibale-Mubende Road. 0417 157 636	kagadi@Post Bank.co.ug

ABBREVIATIONS.

ACRONYM	
Abi-Trust	Agribusiness Initiative Trust
ACF	Agriculture Credit Fund
AGM	Annual General Meeting
Agric	Agriculture
ALCO	Asset and Liability Management Committee
ALM policy	Assets Liabilities Management
AML	Anti-Money Laundering
ASBEA	Association of Savings Banks East Africa
ATM	Automated Teller Machine
BAC	Board Audit Committee
BAT	British America Tobacco
BC&MRC	Board Credit and Risk Committee
BGM	Business Growth Manager
Bn	Billion
BOD	Board of Directors
BOU	Bank of Uganda
CAGR	Compounded Annual Growth Rate
CBR	Central Bank Rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFP	Contingency funding plan
COSO	Committee of Sponsoring Organisations
CRS	Corporate Social Responsibility
Dec	December
E- TAX	Electronic Tax
E-Banking	Electronic Banking
ED	Executive Director
EFU	Energy, Fuel and Utilities
EMRF	Enterprise Risk Management Framework
EPS	Earnings Per Share
EURO	Euro Currency
EXCO	Executive Committee
FIA	Financial Institutional Act
FLI	Forward Looking Information
FSDU	Financial Sector deepening Uganda
FTE	Full Time Employees
FX	Forex
GBP	Great Britain Pound
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für International Zusammenarbeit
GLP	Group Lending Product
IAS	International Accounting Standards

ACRONYM	
IASB	International Accounting Standards Board
ICT	Information Communication Technology
IFAD	International Fund for Agricultural Development
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IT	Information Technology
KFW	Kreditanstalt für Wiederaufbau
KIs	Key Indicators
KPI	Key Performance Indicators
KYC	Know Your Customer
LAR	Liquidity Asset Ratio
LRA	Liquidity risk appetite
MD	Managing Director
MDI	Micro Deposit Institution
MFI	Micro Finance Institutions
MTN	Mobile Telecommunication Network
MUK	Makerere University
NPA	Nonperforming Assets
NSSF	National Social Security Fund
NWSC	National Water and Sewerage Corporation
OTC	Over the counter
PAT	Profit after Assets
PAYE	Pay As You Earn
PBT	Profit before Tax
PBU	Post Bank Uganda
PCL	Personal Consumer Loans
PD	Probability of Default
PFI	Participating Financial Instruction
POS	Point of Sale
PPDA	Public Procurement and Disposal Act
PSV	Private Sector Credit
PV	Photovoltaic
Q&A	Questions and Answers
ROA	Return on Assets
ROE	Return on Equity
ROU	Right of Use
RWA	Risk Weighted Assets
SACCO	Savings and credit organisations
SAGE	Social assistance grant for empowerment scheme
SICR	Significant Increase in Credit Risk
SIBS	Systemically Important Banks

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