PostBank
EMPOWERING YOU

Building the right
foundations for growth

ANNUAL INTEGRATED REPORT 2022

Building the right foundations for growth

WELCOME TO OUR 2022
INTEGRATED ANNUAL REPORT

Having set out on a journey to review and reorganize our business, we changed our strategic direction to become a financial institution dedicated to transforming the 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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GUIDE TO OUR REPORT

Navigate Our Report

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

OUR CAPITALS

Financial Capital.	Manufactured Capital.	Human Capital.	Social and Relationship capital.	Intellectual Capital.	Natural Capital.
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LONG-TERM STRATEGIES (Our 5 pillars)

Performance.	Governance & Risk.	Technology.	People.	Service.
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SHORT TO MEDIUM TERM STRATEGIES

Lead the way in Agribusiness financing.	Strengthen the distribution network.	Reinforcing risk management.	Improve technology efficiency.	Enforce service delivery and excellence.	Corporate Social Responsibility (CSR).	Employee engagement and productivity.
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STAKEHOLDERS

Customers.	Government/ Shareholder.	Employees.	Suppliers.	Regulators.	Development partners.	Society.

MATERIAL MATTERS

Technology, innovation & digitization in the banking industry.	Uncertain geopolitical & post pandemic socio-economic 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.
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POSTBANK UGANDA's PRIMARY UN SDGs.

2 INTRODUCTION.

Introduction

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.

Forward-Looking Statements.

This report contains certain forward-looking statements about PostBank's financial position, results, operations, and business. 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 drives our integrated reporting.

We know that sustained value creation does not happen in isolation. Our approach to embedding **INTEGRATED THINKING** in our organization is continuous and considers the relationship between the capitals that we use or affect and the potential trade -offs inherent in our strategic choices. We strive to report transparently, reflecting the value we create, preserve, and erode.

By understanding how these elements interact, we are better able to deliver sustained value for all stakeholders in the short, medium, and long-term.

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 the Bank's ability to create value and presents the integrated performance of the Bank fairly.

Boundary and scope.

Our integrated reporting boundary covers the risks, opportunities and outcomes

Our Operating context	Our business model, including affordability and availability of capitals	Strategy	Use of and impact on the six capitals	Stakeholder engagements
Page 72	Page 22	Page 78	Page 106	Page 54

This report covers the performance of Post Bank Uganda Limited for the year ended 31 December 2022. 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. Furthermore it covers the Bank's strategic progress in 2022 shedding light on the financial and non-financial targets for the short, medium (two to three years), and long term (five years or more), which have been set with economic impacts in mind.

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 66 of this report.

About our Integrated Report

OUR PURPOSE	INTEGRATED THINKING AND DELIVERY ON OUR PURPOSE		
Vision	Risks	Short-medium and long-term outlook	Board and board subcommittees
Pace setter in transforming lives and livelihoods	Determining our material matters	Developing our strategy	Delivering on strategy
Values	Opportunities	Financial and non-financial targets	Exco and exco subcommittees
Board, Exco	Board, Exco	Board, Exco	Board, Exco

How do we think about value creation, preservation and erosion?

Value for us means meeting our stakeholder goals through the strategic choices we make in our business.
We create, preserve and safeguard against the erosion of value through following an integrated business approach that delivers value and enables a strong, stable, and financially self- sustaining parastatal for our shareholder – Ministry of Finance, Planning and Economic Development.

Our value creation and preservation processes are embedded in our purpose (page 106-166), described as part of our business model on pages 22-23 and integrated into the way we think and make decisions.

How do we consider materiality and our material matters? GRI 102-1

We apply the principle of materiality in assessing what information should be included in our integrated report. This report focuses particularly on those issues, opportunities and challenges that impact materially on our six capitals and the Banks' ability to be a sustainable business that consistently creates, protects, and minimizes the erosion of value for all stakeholders.

Identifying our material matters is a bank wide responsibility and requires input from all business units at PostBank, an assessment of the risks and opportunities in our operating environment and input and feedback from all our stakeholders.

Our material matters, as described on pages 68-71, influence our strategy, inform the evolution of our business model, our long-term business strategies as well as our short-, medium- and long-term targets. Identifying issues and their potential impact is a collaborative effort.

Our Executive Committee approves these material matters as part of our business planning before the Board endorses them.

These material matters are assessed continuously to ensure that our strategy remains relevant in an evolving operating environment.

OUR INTEGRATED REPORTING PROCESS

International <IR> Framework	Combined assurance model	Exco sign off
Compiling our report	Validating the integrity of the report	Approving the integrated report
Reporting standards	Board and Exco review	Board sign off
Board, Exco, Integrated reporting team	Board, Exco, Internal and External Auditors	Board, Exco

What process do we follow to complete the Post Bank integrated report?

The 2022 integrated report is prepared from Exco and Board discussions, minutes, decisions, and approvals (reflecting our integrated thinking) as well as internal and external reporting information as required by the Integrated <IR> Framework (2021).

Our CFO coordinated and led the Integrated Reporting team that represented our various interests with the support of subject matter experts across the Bank. Several drafts of the integrated report were produced with oversight from Exco and the Board. Exco members reviewed these drafts ahead of Board reviews, and executive and Board members also contributed to the content.

All members of Exco and the Board are involved in the various approval processes, which are also supported by the oversight provided by independent assurance provided by our Internal Auditors.

Which reporting frameworks do we adhere to? GRI 102-12, 54

Our integrated reporting is guided by the principles and requirements of the International <IR> Framework, IFRS and the King Code of Governance Principles (King IV), UK Corporate Governance Code, UN Sustainable Development Goals (SDGs), and is in accordance with the `core' option of the Global Reporting Initiative (GRI) Standards. As a Ugandan Bank, we align with Bank of Uganda Requirements (FIA, 2014) and the Companies Act of Uganda, (2012) among other pertinent laws and regulations.

How do we ensure the integrity of our report?

The Board ensures the integrity of the integrated report through our integrated reporting process, the various approvals, and signoffs by Exco and the Board, and relies on our combined assurance model, overseen by the Audit Committee, that assesses and assures various aspects of our business operations and reporting.

OUR INTEGRATED REPORT

Reporting period

This report is produced and published annually.

Targets and strategy

We provide insight into the Banks' future strategy and financial and nonfinancial targets for the short, medium (two to three years) and long term (five years or more).

Targeted readers GRI 102-46

This report is intended to address the information requirements of our shareholder by demonstrating our efforts towards addressing the National Development Plan III objectives and we also present information relevant to how we create, preserve, and minimize erosion of value to our existing and potential clients, investors, regulators, partners and the communities that we impact on a day-to-day basis.

Financial and non-financial reporting boundary

GRI 102-46,48,49,50,51,52

Our integrated report extends beyond financial reporting and includes non-financial performance, opportunities, risks, and outcomes attributable to or associated with our key stakeholders, which have a significant influence on our ability to create value sustainably.

Queries GRI 102-53

Your comments and queries on this report are most welcome and they can be addressed to:
Chief Finance Officer,
PostBank Uganda Limited,
Plot 4/6 Nkurumah Road,
Peter.ssenyange@postbank.co.ug

How We Create Value

CREATING 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.

We assess our context

Operating context

Trends such as commercial and social-economic realities faced by Ugandan businesses & individuals, geopolitical events, competing stakeholder expectations, complex competitive forces and regulatory pressures form the dynamic environment that informs our value creation process.

Page 72

Stakeholder relationships

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.

Page 54

Material Matters, Risks and Opportunities

We identify and derive our key risks and opportunities from the context of our five-year strategy, our business model and operating environment.

Page 66

We consider our material matters

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.

Materiality themes

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

These areas are underpinned by the six capitals that we use or affect.

How we approach value creation in our business

1 We assess our context

2 We consider our material matters

3 We integrate our strategy into our business model

We integrate our strategy into our business model

Strategy Overview

Page 84

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

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

Page 54

Customers: Creating economic prosperity for our customers through our differentiated financial services.

Employees: Employer of choice. Enabling our people to develop professionally through winning teams.

Regulators: Exemplary governance and ethics in everything we do.

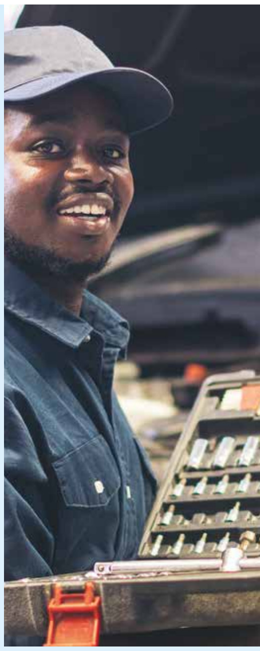
Government of Uganda: Expand financial inclusion.

Development partners: Transparent, accountable, and timely implementation of projects.

Suppliers: Source of business opportunity and growth.

Society: Responsible community participant.

3 WHO WE ARE.



Overview of our Business

PostBank at a Glance GRI 102-7

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.

1998
year founded

Permanent employees
1,099
(2021: 1,045)

ATM
ATMs
59

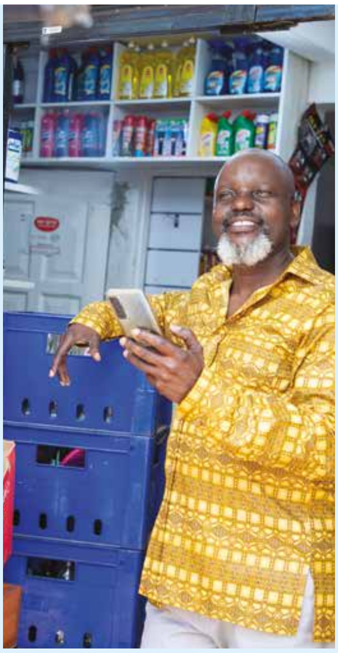
100%
owned by Government of Uganda

Customer accounts
773,222

Market leader
in small holder Agriculture Financing

Profit After Tax
UGX 15.2 bn
(2021: UGX 12.2bn)

Our strategic Intent: A people's Bank that aspires to be a market leader in financial inclusion.



PostAgents
525

Gross revenue
UGX 159.2 bn
(2021: UGX 144.5 bn)

Mobile Vans
14

24/7
Customer call centre

Branches
58

shared Agents on Agency Banking
2,500+

OUR VALUES

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

Integrity
Behaving with high ethical standards.

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

Innovation
Continuously seeking ways of working more efficiently and quickly.

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.

Financial Capital Our shareholders' equity, funding from investors 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.

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

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

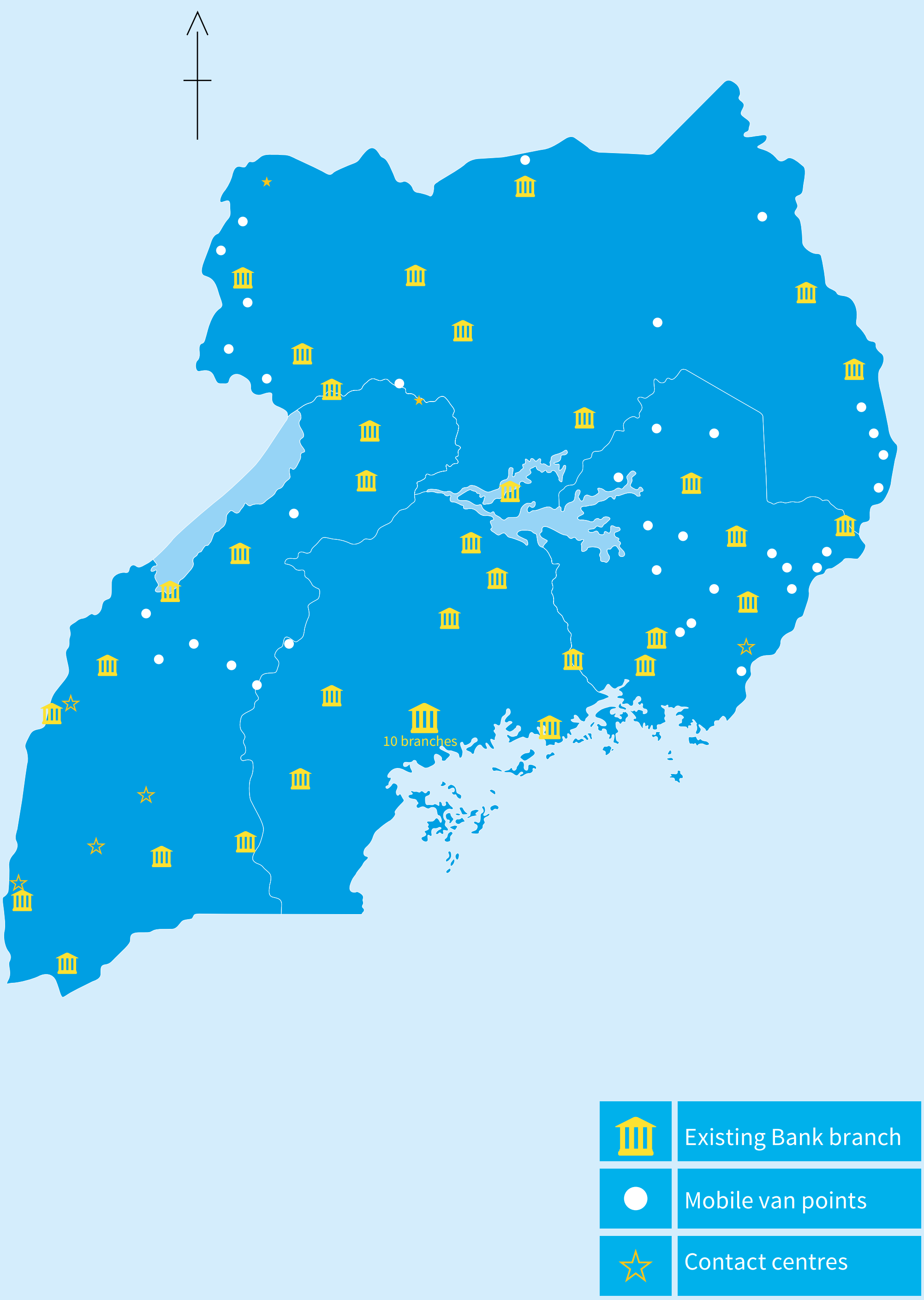
Manufactured Capital Infrastructure (including property, equipment and digital) used in the delivery of our products to customers. Our business structure and operational processes, including our physical and digital infrastructure, our products, as well as our information technology that provides the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

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.

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

Our Presence in Uganda. GRI 102-3,4 & 6

Headquartered in the capital city Kampala, the Bank offers a range of products and services through an extensive network of 58 branches, 59 ATMs, 14 mobile banking vans and over 525 PostAgents around the country.



	Branch Location
1	Amolatar
2	Anaka
3	Arua
4	Bishop Stuart University
5	Bombo
6	Bugolobi
7	Bukedea
8	Butogota
9	Bweyale
10	City
11	Entebbe
12	Entebbe Airport
13	Forest Mall
14	Fort Portal
15	Gulu
16	Hima
17	Hoima
18	Ibanda
19	Iganga
20	Ishaka
21	Jinja
22	Kabale
23	Kagadi
24	Kakiri
25	Kamdini
26	Kampala Road
27	Kamwenge
28	Kanungu
29	Kapchorwa
30	Kasese
31	Kayunga
32	Kihihi
33	Kireka
34	Kitgum
35	Kotido
36	Kyazanga
37	Lacor
38	Lira
39	Makerere
40	Manafa
41	Masaka
42	Masindi
43	Mbale
44	Mbarara
45	Moroto
46	Mubende
47	Mukono
48	Nakasongola
49	Ndeeba
50	Nsangi
51	Ntungamo
52	Pakwach
53	Rushere
54	Soroti
55	Usafi
56	Wandegeya
57	William Street
58	Yumbe

58 branches	**59** ATMs	**14** Mobile vans	**525** Post Agents	**51** ATM Recyclers

Our Banking Products and Services GRI 102-2

DEPOSIT PRODUCTS.

Individual Savings Accounts.

- Ordinary Savings Account.
- Joint Savings Account.
- Diaspora Savings Account.
- Foreign Currency Individual Savings Account.
- Summit Personal Account.
- Summit Business Account.
- Early Start Account.
- Estate Account.
- Youth Savings Account.
- Social Assistance Grants for Empowerment Beneficiary Account.
- Refugee Savings Account.
- Save As You Earn Account.
- Refugee Save As You Earn Account.

Non-Individual Savings Account.

- Business Savings Account.
- Summit Business Account.
- Foreign Currency Business Savings Account.
- Women in Progress Group Account.
- Village Savings & Loan Association Account.
- SACCO Account.
- Group Account.
- Government Entity Account.
- Merchant Accounts.

Investment Accounts.

- Term deposit Account.
- Flex D Account.

Futuristic Offer.

- Personal Banking Current Account.
- Business Banking Current Account.
- Salary Current Account.
- Parish Model Savings Account.
- Call Deposit Account.
- Treasury Bill & Bond Offer.
- Parish Model Account.

E-BANKING PRODUCTS.

- Automated Teller Machine (ATMs) Service.
- Mobile Phone Banking.
- Online Banking.
- Agent Banking.

MONEY TRANSFER SERVICES.

- Western Union Money Transfer.
- Real Time Gross Settlement (RTGS).
- Electronic Funds Transfer (EFT).
- EFT Direct Debit Transfers Option.
- Swift Servmoney.
- Money Gram.
- Transfast.
- MTN Mobile Money Transfers.
- Airtel Transfer.
- SWIFT.

CREDIT PRODUCTS.

Business loans.

- Secured Business Loan.
- Small Business Loan.
- Warehouse Receipt Financing.
- Quick Cash Loan.

Agribusiness Loans.

- Agricultural Loan.

Consumer Loan Products.

- Kyapa Loan.
- Salary Loan.
- Group Loan.
- Workplace Banking Loans.
- School Loan.
- Water, Sanitation & Hygiene Loan.
- Solar Loan.
- Education Loan.
- Home and Land Loan.
- Asset Financing Loan.

E-PAYMENTS SERVICES.

- E-Water payment service.
- E-Umeme payment service.
- E-Tax payment service.
- E-NSSF contributions collection service.
- E-Visa fees collection service.

BANCASSURANCE SERVICES.

- Motor/Assets Comprehensive.
- Fire & burglary insurance.
- SME Business Cover.
- Commercial Property Insurance.
- Business Life Insurance.
- Third Party.

TRADE FINANCE PRODUCTS.

- Letters of Credit.
- Unsecured Bid Bonds.
- Secured Bid Bonds.
- Guarantees.
- Invoice Discounting.

OTHER SERVICES

- Field Payments (Designed to extend financial services to predominantly rural areas with no branch network).
- Safe Custody (Designed to provide of the customers valuable items).

Our Business Model

Our Inputs.

The resources and relationships on which we rely.

The resources.

Financial Capital.

- UGX 135.6 Bn in equity (2021: UGX 117.1 Bn).
- UGX 53.1 Bn in borrowings (2021: 63.9 Bn).

Intellectual Capital.

Our brand.
Our positioning as a bank that drives financial inclusion.

Human Capital.

1,099 permanent employees (2021: 1,045)

Manufactured Capital.

- 58 branches
- 59 ATMs
- 14 mobile banking vans

Social & Relationship Capital.

The relationships with our key stakeholders:

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

Natural Capital.

- 23.4 million liters of water used (2021:21.3 million liters).
- 34,850kgs of paper used (2021: 34,235kgs).
- 1,540,512kw of electricity used (2021: 999,238kw).
- 289,670 liters of vehicle and generator fuel used (2021: 270,662 liters).

Our Business model and strategy.

What we do

Destination.

Why we do what we do.

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

Our ambition.

We aspire to be a market leader in financial inclusion.

Our Business model.

We take

Client deposits + Partner & shareholder funding = Funds we invest

and we create affordable credit and banking services

- Social Lending Business
- Agriculture lending business
- Micro & Personal lending
- Mass Payment Solutions
- Business & institutional banking

Key Risks | Trends & Developments | Governance

Our Outputs.

What we produce

Our Impact.

Our 5 strategic pillars.	Our top priorities.	Material aspects.
Performance Page 84	Leadership in Agri-business value chain financing. A strengthened and accessible country wide distribution network. Sustainable business growth.	**1.** Increased capital requirements. **2.** Uncertain geopolitical & post pandemic socio economic enviroment.
Governance & Risk Page 84	A well governed & respectable indigenous Ugandan financial institution.	**1.** Heightened regulatory demands.
Technology Page 84	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.** Unoptimised infrastructure.
People Page 84	Employer of choice.	**1.** Staff productivity & talent management practices.
Service Page 84	Establish a framework & infrastructure to seamlessly serve millions of customers.	**1.** Evolving customer preferences and demographics.

Accessible & affordable financial services for Ugandans.

UN Sustainable development goals (SDGs)

We believe we create value when we deliver to our stakeholder goals.

Our outcomes	How we create, erode, and preserve value for our stakeholders

Customers

Net impact of capital: FC ▼ SRC ▲ MC ▲

We listened to our customers and set about a journey of improving our client feedback mechanisms, ATM Infrastructure, new products and services, and efficiency of customer transactions.

+	Introduced feedback channels to enable our customers provide instant feedback based on QR codes and USSD codes.
+	Upgraded our ATM Switch, made card issuance instant and increased the service offering at our ATM's.
+	Introduced new products and services for a broader customer base.
+	Enhanced funds transfers through the introduction of straight through processing
+	% Digital customer transactions vs total transactions: 70% (2021: 52%)
+	Number of Agency banking agent on the Post Agent platform: 525 agents (2021: 414 agents).
+	Number of new branches opened during the year 8 (1 under construction)
−	Actual branches revamped: 4 (planned for the year: 6).

Development partners and Suppliers

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

Suppliers' net impact on capitals: 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 and agency offerings.

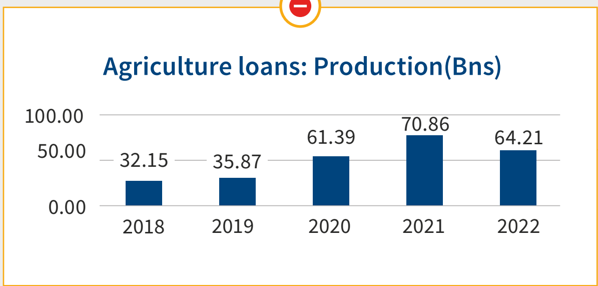
A source of business opportunity and growth	−	UGX 42 Bn in total annual procurement spend (2021: UGX 56 Bn)
	−	% of our BUBU procurement spend: 95.98% or UGX 40.2 Bn (2021: 97.06% or UGX 54.3 Bn)
	−	% of indigenous Ugandan suppliers in our procurement spend: 43.9% or UGX 18.3 Bn (2021: 48.6% or UGX 27.2 Bn).
A reliable and preferred mass payments provider to persons of concern.	−	Development partner payments to refugees & people of concern: UGX 124.3 Bn (2021: UGX 154.5 Bn).
	+	Number of refugee & people of concern households served: 1,298,243 (2021: 903,396).

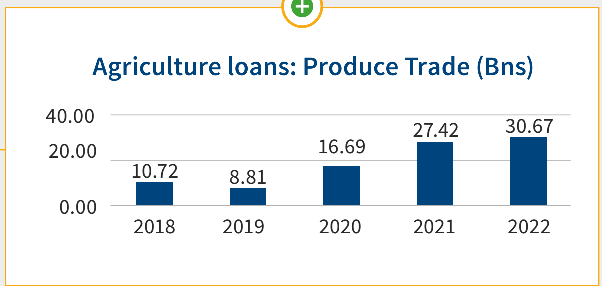
Our shareholder - Government of Uganda

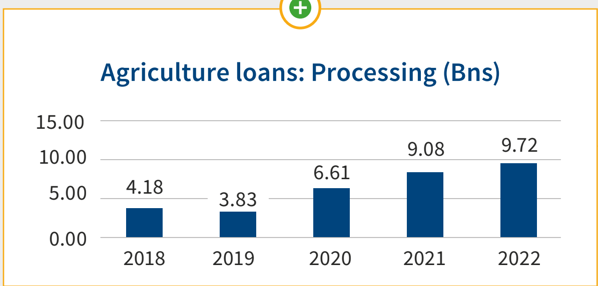
Net impact on capitals: FC ▲ SRC ▲

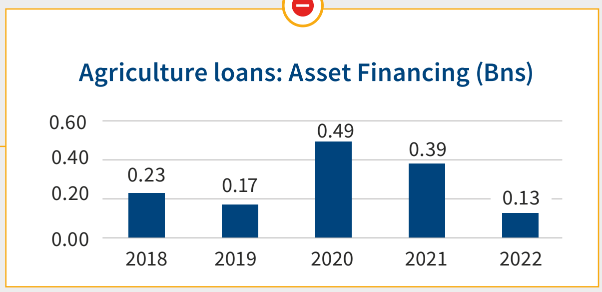
We are wholly owned by the Government of Uganda; therefore, we take a multifaceted view to the value we deliver to this key stakeholder. From a shareholder perspective our aim is to grow the financial capital and returns entrusted to us. From a corporate citizen perspective, we contribute to taxes and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

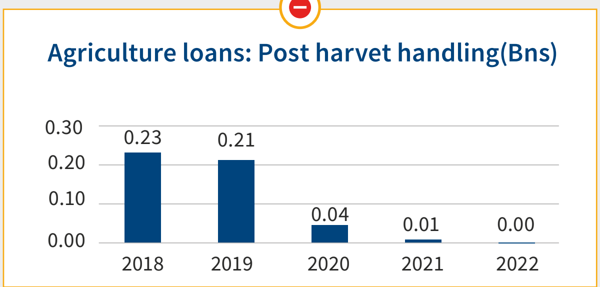
Sustainable growth and returns to the shareholder	+	Total assets: UGX 946 Bn (2021: UGX 745 Bn) *page 181*
	+	Profit after tax: UGX 15.2 Bn (2021: UGX 12.2 Bn) *page 180*
	+	Gross revenue: UGX Bn 159.2 (2021: UGX 144.5 Bn)
	+	Return on equity: 11.2% (2021: 10.4%)
	+	Cost to Income ratio: 77% (2021:78%)
	+	NPL ratio: 7.5% (2021: 10.3%)
Responsible Corporate citizen and key contributor to NDP III goals of the Government of Uganda.	+	Number of Loans disbursed: 37,055 (2021: 34,494)
	−	Tax paid to Government of Uganda: UGX 4.8 Bn (2021: UGX 6.3 Bn) *see note 16 on page 220.*
	−	Agriculture loan portfolio: UGX 106.2 Bn (2021: 111.8 Bn)
	+	Loan book: UGX 479 Bn (2021: UGX 454 Bn)
	+	Number of agriculture loans disbursed: 11,810 (2021: 11,048)











Employees

Net impact on capitals: FC ▼ SRC ▲ HC ▲

In 2022, we focused on strengthening our people's capabilities and positioning ourselves for the rigors of a fast-growing financial institution and now a Tier 1 commercial bank.

An employer of choice	+	Employee engagement at 85% (2021: 82%)
	+	54 graduate trainees offered permanent roles in the Bank (2021: 62)
	+	Average training hours per employee 8 hours (2021: nil)
	+	Provided gainful employment: Number of staff. 1,099 (2021: 1,045).
	+	Training spend: UGX 862 million (2021: UGX 626 million)

Regulators

Net impact on capitals: FC ▼ SRC ▲ HC ▲

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

A well governed organization.	+	Favorable regulatory rating

Cheerleaders celebrate a win at the Bankers' Gala 2022.

Our Board of Directors

Standing (L-R)

Lawrence Kasenge - NED

Joseph Areu - NED

Justine Tumuheki Wabwire - Company Secretary / Chief Legal Officer

Andrew Kabeera - Executive Director

Julius Kakeeto - Managing Director/CEO

Sitting (L-R)

Faridah Mukasa Kasujja - NED

Andrew Otengo Owiny - Chairman

Beatrice Amongi Lagada - NED

Our Board of Directors

PostBank Uganda Limited holds good governance as one of its core values and confirms its commitment to the implementation of effective corporate governance principles in its business operations.

NON-EXECUTIVE DIRECTORS

Mr. Andrew Otengo Owiny
Chairman

MBA, Bachelor's in Finance and Accounting, B.Com - Commerce.

1 2 3 4 7 8 9 11 12

AC RMC ALC HRC

Mrs. Farida Mukasa Kasujja
Non-executive Director

Chartered Banker, Master of Business Administration, Bachelor of Arts in Economics.

1 2 3 4 5 6 8 11 12

ALC AC HRC

Mrs. Beatrice Lagada
Non-executive Director

Bachelor of Education, International Diploma in Planning for Rural Development, Diploma in Education.

1 2 4 5 6 8 9 11 12

HRC AC RMC

Mr. Lawrence Kasenge
Non-executive Director

MBA Accounting and Finance, Master of Arts in Economic Policy and Planning, B.Sc. Quantitative Economics.

1 2 3 4 5 6 8 11 12

RMC AC ALC HRC

Board Committees.

AC Audit committee.
ALC Asset and Liability committee.
RMC Risk Management & Credit committee.

Changes to Board composition:
Joseph Areu joins PostBank as a Non-Executive Director with 35 years of experience in banking, business develop

FC
1 Financial accounting, reporting and tax.
2 Financial markets and funding.

MC
3 Capital allocation.
4 Investment management .

HC
5 People management.
6 Remuneration and rewards.

Leading the way for value creation and preservation through good governance

As at 31st December 2022, the Board comprised of five (5) Non-Executive Directors, including the Board chairman, and two (2) Executive Directors all of whom bring a wide range of skills and experience to the Board.

EXECUTIVE DIRECTORS

Mr. Joseph Areu
Non-executive Director

MBA University of Missouri, Columbia. CFA UK (Level 4), B. Stat, Dip Computer Science MUK.

1 2 3 4 5 9 11 12

AC RMC ALC

Mr. Julius Kakeeto
Managing Director

MBA, FCCA, CPA(U), CEO apprenticeship program.

1 2 3 4 5 6 7 9 10 11 12

RMC ALC

Mr. Andrew Kabeera
Executive Director

MBA, Bachelor's in economics, Certificate in Bank Management, CEO apprenticeship program, Consumer Banking academy.

1 2 3 4 5 6 8 9 10 11 12

RMC ALC

COMPANY SECRETARY

Mrs. Justine Tumuheki Wabwire

Fellow of the Chartered Governance Institute UK & Ireland, Enrolled Advocate, Master of Laws (LLM) University of Cape Town, (Dip LP) LDC, PGD in Management UMI Bachelor of Laws (LLB) MUK.

3 8 9 11 12

HRC Human Resources and Compensation committee. ● Committee chairperson.

ment and investment & advisory with emphasis on capital markets securities in Eastern and Southern Africa.

SRC
7 CSR.
8 Stakeholder management, public admin.

IC
9 Risks and opportunities.
10 Technology, innovation, and cyber security.
11 Compliance, laws, and regulations.
12 Governance.

Our Summarised Governance Report

Overview

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

Our approach to governance

Our approach to governance promotes INTEGRATED THINKING and decision-making that balances strategic outcomes over time, to reconcile the interests of the Bank, stakeholders, and society in creating and protecting sustainable shared value. We follow a governance approach based on accountability, effective delegation, and adequate oversight to support sound decision-making. PostBank's governance is strengthened by the tone at the top, the example the Board and EXCO set, and the values and behaviors embraced by the employees of the Bank.

The Board is conscious of the fact that a well governed Bank which has embraced best practices inspires stakeholder confidence, lowers the cost of capitals, and builds an inclusive governance framework. Our Board-approved governance framework is embedded in all the Bank's operations and is designed to provide a clear direction for responsive decision-making and support responsible behavior. We implement our framework principles to:

- Ensure that we engage in strategic opportunities within the Board approved risk appetite, supporting a prudent balance of risk and return.
- Provide effective control to avoid financial loss or reputational damage due to misconduct or unethical behavior.
- Embed the principle of doing the right business, the right way to ensure ethical business practices are embedded in everything we do.
- Support our legitimacy as a responsible corporate citizen that enhances the use of resources through effective allocation by building relationships we can rely on today and for the future benefit of the Bank, and its stakeholders.

How we govern

We are committed to the highest level of governance and strive to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity, and respect for others. In our aspiration to be a responsible corporate citizen, we follow regulatory requirements, voluntary codes, and internal elements of corporate governance applicable to the Bank. The Board continues to ensure that all the minimum legal requirements are met both in the long and short term. The Board also continues to apply additional governance codes such as King IV to bolster its oversight over matters such as ethics and integrity while maximizing value creation and preservation that limits value erosion.

Regulatory framework

- Bank of Uganda Act.
- Financial institutions Act, regulations, and amendments.
- Financial institutions licensing regulations.
- Companies Act of Uganda.

Internal elements

- Terms of Reference of Board and Board Subcommittees.
- Code of Conduct.
- Board approved polices and operational procedures.

Voluntary codes

- King IV governance principles.
- Global Reporting Initiative (GRI) standards on sustainability.

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**
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.

Our Value Creating Governance Approach in Action

Our Board takes overall responsibility for PostBank's success. Its role is to exercise leadership and sound judgement in directing PostBank to achieve sustainable growth and act in stakeholders' best interests.

Through the transformative actions taken during the year, we continue to work towards delivering on the outcomes of King IV™:

1, An ethical culture.
2, Good performance.
3, Effective control.
4, Legitimacy with our stakeholders.

Through the transformative actions taken during the year, we continue to work towards delivering on the outcomes of King IV™:

INPUTS LINKED TO KING IV

Ethical and effective leadership

Actions taken during the year	Strategic priorities
• Guided operations through Board and committee meetings. • Approved recommendations identified during the last Board evaluation.	Governance & Risk

Appropriate balance of knowledge, skills, experience, diversity, and independence

Actions taken during the year	Strategic priorities
• Approved two new policies and reviewed existing policies to align the Bank's operations with the Tier 1 commercial banking requirements as enshrined in the Financial Institutions Act. • Ratified recruitment of suitably qualified Non-Executive Director. • Monitored Board conflict of interest and independence declarations.	Governance & Risk People

Structured and delegated authority

Actions taken during the year	Strategic priorities
• Approved the revised Board charter and Terms of Reference for Board committees. • Approved a new regional management model to enhance coordination and visibility of branch compliance issues. • Approved new bank organizational structure to support graduation to Tier 1 commercial banking license.	Governance & Risk People Service

Strategy, performance, and reporting

Actions taken during the year	Strategic priorities
• Revisited, updated and approved our 5-year strategic plan. • Considered the status of our plan to expand our distribution network through additional branches. • Approved upgrades to our systems, policies, and procedures, including our core banking application. • Approved the establishment of a risk function at EXCO level to better respond to the changing risk landscape. • Approved fully fledged dealing room to exploit avenues for increasing non-interest income. • Approved PostBank joining BOU clearing house. • Amended the business growth policy to better align the Bank to maximize opportunities arising while minimizing risk. • Approved new products following completion of major projects aimed at increasing the Bank's non-interest income. • Approved investment in data warehouse & business intelligence application to enhance decision making, especially in times of uncertainty. • Evaluated and appraised the Chief Internal Auditor	Performance Technology Service

Assurance and controls

Actions taken during the year	Strategic priorities
• Commissioned world-class security vendors to enhance sophisticated attacker detection. • Proactively assessed security undertaken on all projects. • Approved additional layers of security controls to protect our infrastructure storing and transmitting of confidential information.	Technology

Stakeholder relationships

Actions taken during the year	Strategic priorities
• We delivered on our social contract with our stakeholders, particularly clients whose businesses were negatively impacted by economic conditions by extending further financing to provide the much-needed resources to weather the storm. As a result, the quality of the Bank's loan book improved. • We promoted digital and financial inclusion by developing products and services helping SME's, government and corporates sustain business activities. • Considered our stakeholder engagement strategy.	Governance & Risk Performance

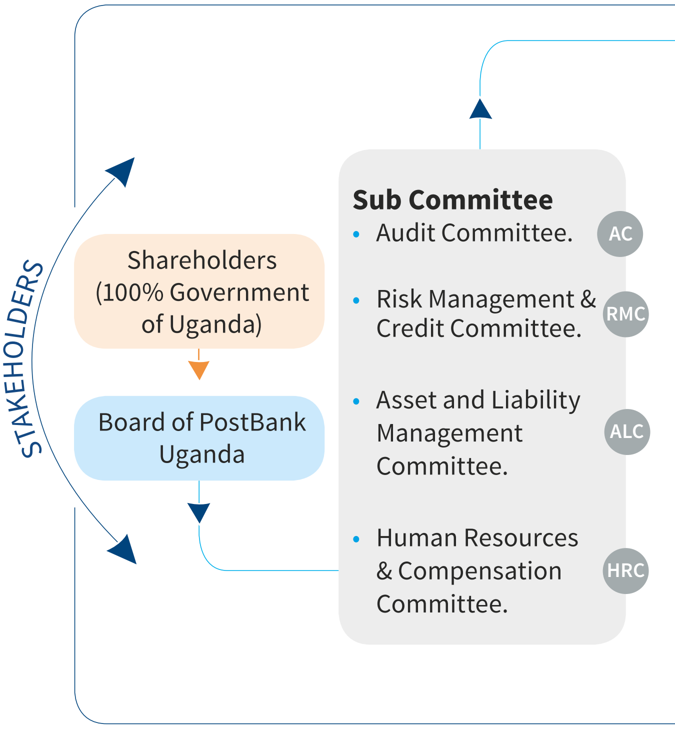
PostBank Uganda's Governance Background. GRI 102-1 & 5

PostBank Uganda Limited was incorporated in February 1998 under the Companies Act as a limited liability company with a 100% Government shareholding and is licensed and supervised by the Central Bank 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 a Board charter.

Our governance structure – Workings of the governing body GRI 102-18

Our governance structure and delegation of authority provisions enhance independent judgement, ensure sustainable execution of strategy, and create opportunities to leverage off directors special expertise in areas such as audit, risk management, sustainability, and executive compensation. The Board delegates authority to the established Board committees as shown below as well as to the CEO, with clearly defined mandates.



Exco member	Oversees
Managing Director	Exco, Marketing, Risk & Strategy.
Chief Digital Financial Services Officer	Digital Financial Services, Project Management Officer & Innovation.
Chief Operating Officer	• Operations & Customer service. • Information technology & cyber security.
Chief Finance Officer	Finance, Capital Management & Procurement.
Chief of Business	Business Development.
Chief Credit Officer	Credit.
Chief Human Resources	Human Capital.
Chief Risk Officer	Risk management.
Chief Internal Auditor	Internal assurance

Key corporate governance practices

The following key corporate governance practices are in place.

All non – executive directors have completed annual independence and conflict of interest declarations.	Directors nominated by shareholders, appointed by Government of Uganda. Appointed Directors only assume office after approval and vetting by Bank of Uganda.
Proactive year-round stakeholder engagement program.	Managing Director's performance annually evaluated by the Board and linked to compensation. Exco members compensation is also linked to performance.
Approved Board of Directors Charter in place.	Board-approved policy on independent professional advice.
Related-party transactions monitored and transparently disclosed in the Annual Financial Statements.	Enhanced internal procedures that bolster ethics, integrity, and regulatory compliance.
Annual independent Board and committee evaluations linked to compensation.	Enhanced risk management framework based on combined assurance model.

Board committee	Primary focus in terms of capitals		Strategic priorities
AC	FC MC IC	• Oversees internal and external reporting and assurance mechanisms. • Compliance with laws and regulations including Taxation and Bank of Uganda requirements.	
RMC	FC IC NC MC	• Oversees risk management activities including strategy and compliance. • Recommends lending policies, standards, and procedures.	
ALC	FC MC IC	• Provides guidance on liquidity management and capital adequacy. • Approves funding requirements, reviews, and approves budgets and measures performance against budget.	
HRC	HC SRC FC	• Determines remuneration policy, processes, and procedures. • Aligns remuneration with the objectives of the Bank.	

Some Senior Management Team members at the launch of the 'Get Empowered' campaign

Board Committees

PostBank Board

Attendance

- Eight Board meetings were held during the financial year ended 31 December 2022.
- Directors attendance was 100%.
- All Directors attended the AGM held in April 2023.

The Board ensures that the Bank is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders.

In addition to the scheduled main Board meetings, the sub committees of the Board held all of the respective scheduled meetings.

Directors	Board Meetings attended	Audit Committee	Risk Management & Credit Committee	Human Resource & Compensation Committee	Assets & Liabilities Committee	Overall individual attendances
Eligible meetings	8	5	6	6	4	
Andrew Otengo Owiny	8	0	0	0	0	**100%**
Farida Mukasa Kasujja	8	5	0	5	4	**96%**
Lawrence Kasenge	8	5	6	6	4	**100%**
Beatrice Lagada	8	5	6	6	0	**100%**
Julius Kakeeto	8	0	6	0	4	**100%**
Andrew Kabeera	8	0	5	0	4	**94%**
Percentage of attendance at committee level	**100%**	**100%**	**96%**	**94%**	**100%**	

Audit committee

Members and attendance

- F.M Kasujja 5/5
- L Kasenge 5/5
- B Lagada 5/5

Assists the board in its evaluation of the integrity of our financial statements through evaluation of the adequacy and efficiency of our internal control systems, accounting practices, information systems and internal auditing applied in the day-to-day management of our business.

The committee establishes safeguards to ensure maximum value preservation while minimizing erosion.

AC

Risk management & credit committee

RMC

Members and Attendance

- L Kasenge 6/6
- B Lagada 6/6
- J Kakeeto 6/6
- A Kabeera 5/6

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.

The committee ensures that value is created and preserved by continuously monitoring the quality of the Bank's loan book. Effective risk management ensures value erosion is minimized.

Asset and liability management

ALC

Members and Attendance

- L Kasenge 4/4
- F.M Kasujja 4/4
- J Kakeeto 4/4
- A Kabeera 4/4

Assists the Board establish guidelines for liquidity, capital adequacy, funding and reviewing the performance of the Bank against the budget.

Through optimum management of the Bank's assets and liabilities, the committee ensures that value is created and preserved over the short-medium- and long-term horizon.

Human resources and compensation

HRC

Members and Attendance

- F.M Kasujja 5/6
- L Kasenge 6/6
- B Lagada 6/6

Enables the Board to achieve its responsibilities in relation to the Bank's remuneration policy, processes, and procedures, and specifically enables the Bank to do the following: operate remuneration structures that are aligned with best market practice, conform with the latest thinking regarding good corporate governance on executive remuneration and align the behavior of executives with the strategic objectives of the Bank.

By effectively managing the Banks' remuneration policies and procedures, the committee ensures that the Bank executives and people are geared towards value creation, preservation and controlling erosion.

Each of the committees'mandate is reviewed annually for relevance and appropriateness, taking into consideration changes in the legal, 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.

Quality of Decision Making

PostBank's Board comprises of an appropriate balance of knowledge, skills, experience, diversity, and independence to objectively discharge its governance role.

Independent Non Executive Directors
A. Owiny
F. M. Kasujja
L. Kasenge
B. Lagada
J. Areu

Executive Directors
J. Kakeeto
A. Kabeera

The right balance of skills and experience enables the Board to make meaningful contributions towards value creation.

Experience	Public and private sector stewardship Capital projects and operations Corporate finance and banking Human resource management Public policy analysis, and economics
Skills	Banking Governance Finance and taxation Audit and risk management Technology Human capital management Public administration
Tenure	Three to five years — 4 Directors Less than three years — 2 Directors Less than one year — 1 Director
Diversity	**Gender** The Board aims to maintain a balance between male and female Board members to ensure female representation. **Independent non-executive** Female Directors: 2 Male Directors: 3 **Executive** Male Directors: 2 **Local context relevant to our business** All 7 Directors are vastly experienced Ugandans and understand our business and client needs within the context of our local business environment. **Age** The Board promotes an appropriate mix of ages to ensure that there are young voices to complement the experienced Directors. Between 40 and 49 – 3 Between 50 and 59 – 2 Between 60 and 69 – 2 **Independence** Executive: 2 Independent non-executive: 5

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.

Culture, ethics, and values –

Governing body processes and structure to safeguard value for our stakeholders.

Doing business responsibly means doing business ethically.
We have implemented practical mechanisms and processes to drive ethical behaviour as part of maintaining a culture of ethics, including but not limited to:

- Annual and ad hoc conflict of interest declarations for Board of Directors
- Remuneration policy linked to our values
- Ethics codes, policies, and frameworks
- Letter of representation process
- Participation of the Board in high risk and value transactions
- Mechanisms to review and manage client and supplier relationships when necessary

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.
- Clear delegation protocols to ensure the Board focuses on the most important matters.
- On call professional advise from external partners when required.
- A robust induction program for both Non-Executive and Executive directors.
- Timely, sufficient and uniform information before meetings from management.
- 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.
- Minimum 8 meetings a year. Main Board and committees able to arrange additional meeting should bank affairs require that this is so.

Our Non Executive Director's performance based renumeration in 2022

		Retainer fees (UGX)	Meeting allowances (UGX)	Airtime allowance (UGX)	Transport allowance (UGX)	Total (UGX)
2021	Non-Executive Directors	265,714,272	40,400,000	13,200,000	17,128,000	**336,442,272**
2022	**Non-Executive Directors**	**165,787,341**	**206,010,442**	**2,200,000**	**-**	**373,997,783**

Board Performance Evaluation

Our Policy:

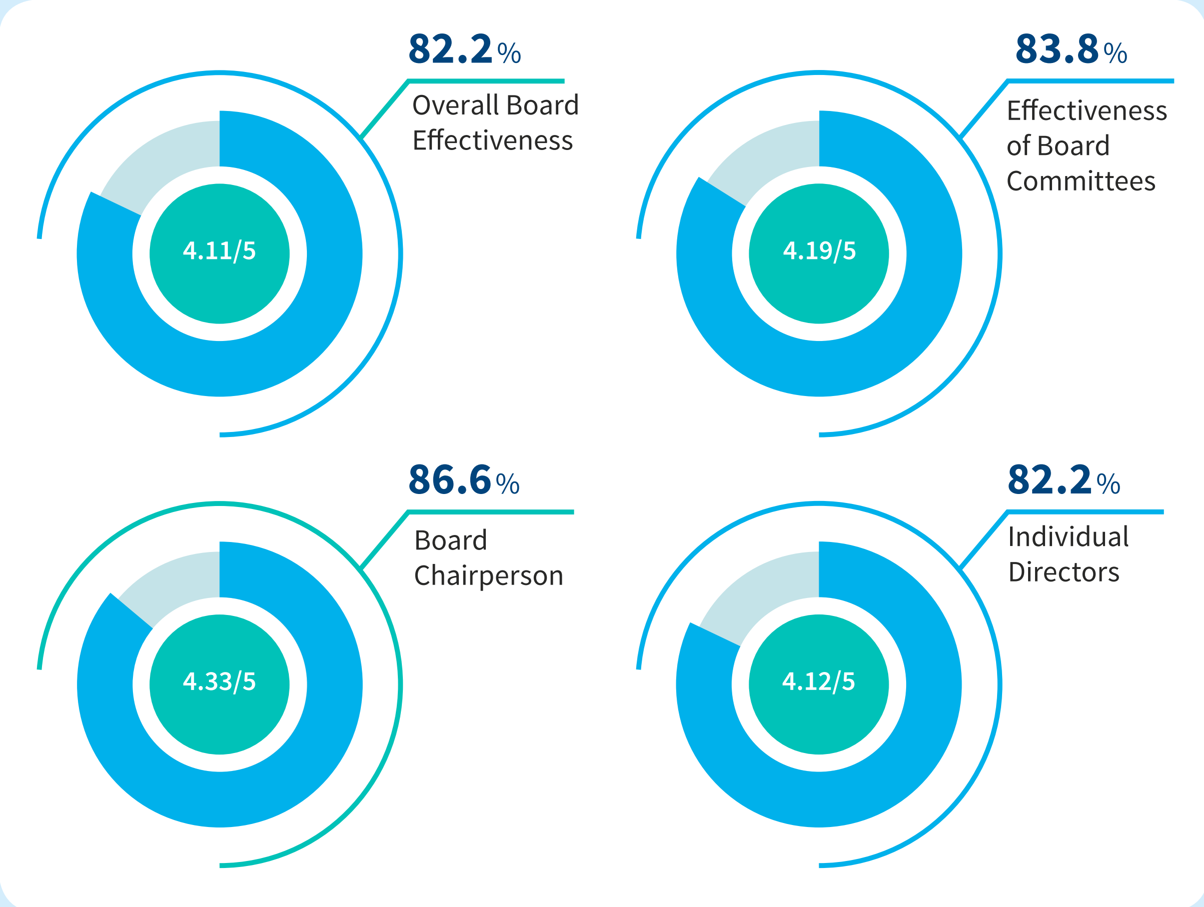
The Board shall subject itself to collective and individual performance appraisal annually.

Our Board and committee self-evaluation process allow 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.

Below is our performance criteria and results of our most recent Board evaluation

Results of our Board evaluations

The overall positive outcome and results from the 2022 Board effectiveness review were the following:



Other criteria:

Directors' independence: Generally, the Board was found to be independent with only borrowing and employment factors affecting specific Director's overall independence.

Directors' training and evaluation: Directors' development is well rated.

PostBank Usafi branch

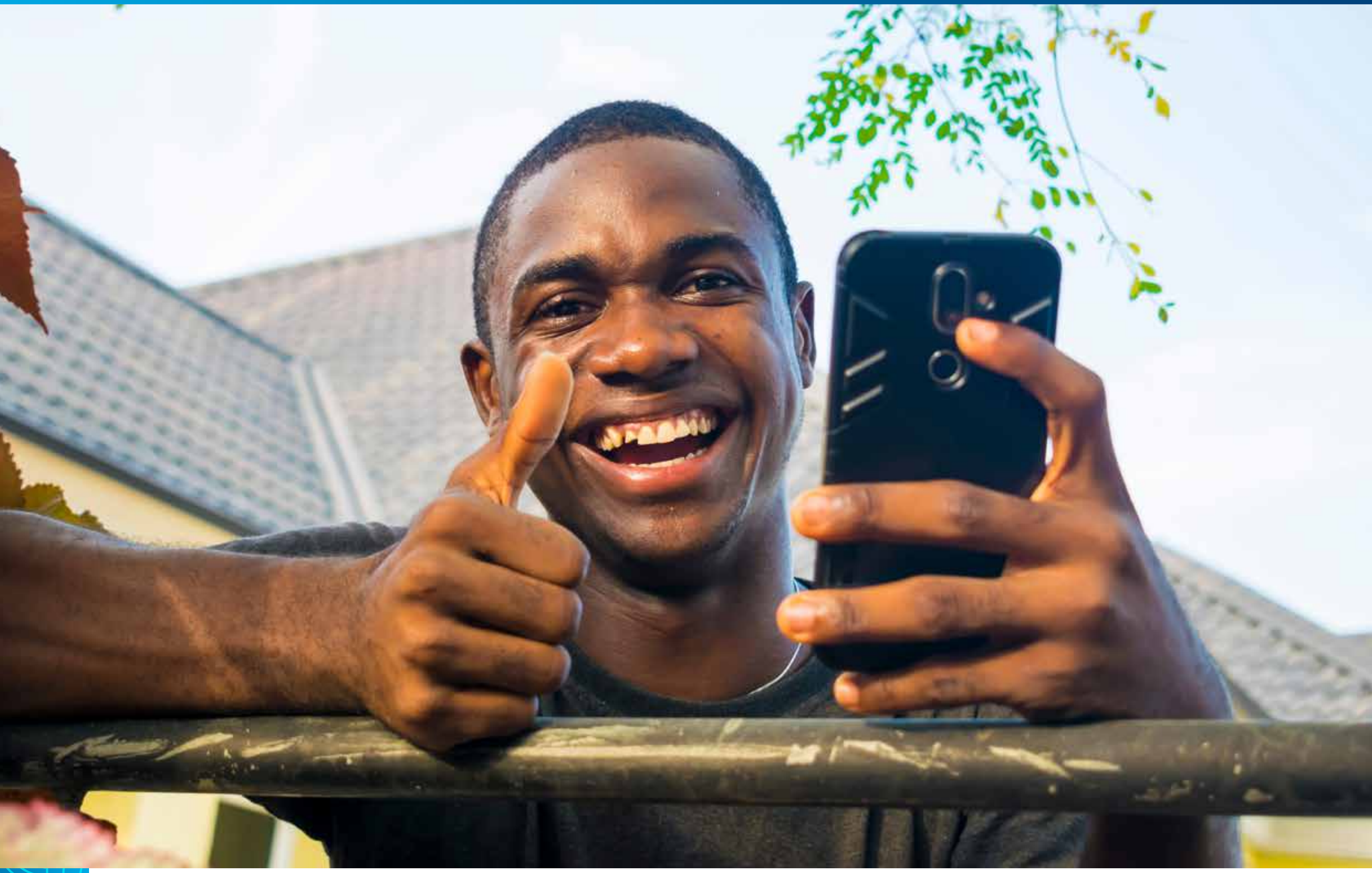
Our Sustainability Report

Our statement for the year ended 31 December 2022

Sustainability at PostBank
At the heart of our business operations lies a dedication to sustainability. We strive to achieve this by imbedding sustainability in everything we do. Our commitment to promoting sustainable and equitable economic growth is demonstrated through our efforts to support the development of Ugandans through job creation and financial inclusion, as vehicles for wealth creation.

Sustainability reporting landscape
Our approach to sustainability reporting is driven by our purpose and is stakeholder centric. While recognizing the various international standards on sustainability, our report is guided by the Global Reporting Initiative (GRI) standards that have a double materiality lens which aligns with our purpose. We ensure compliance with local and international laws and regulations as they apply to reporting on financial and non-financial information.

Material sustainability matters
We have considered the matters that could have a significant influence on our sustainability such as risks, opportunities, regulations, and industry trends. As a bank, we understand that our operations have a direct and indirect impact on the economy, society, and the environment. We have assessed our performance against our established KPI's that were developed in consultation with our stakeholders to ensure an all-encompassing materiality analysis.



Our Economic, Enviromental and Social focus.

Economic

Interest paid to customers
UGX 25.2 Bn (2021: UGX 20.3 Bn)

Return on investment for shareholder
11% (2021 11%)

Investments in Government securities
UGX 156.8 Bn (2021: UGX 30.7 Bn)

Taxes paid to GOU
UGX 4.8 Bn (2021: UGX 6.3 Bn)

Loans granted
UGX 479.5 Bn (2021: UGX 454.8 Bn)

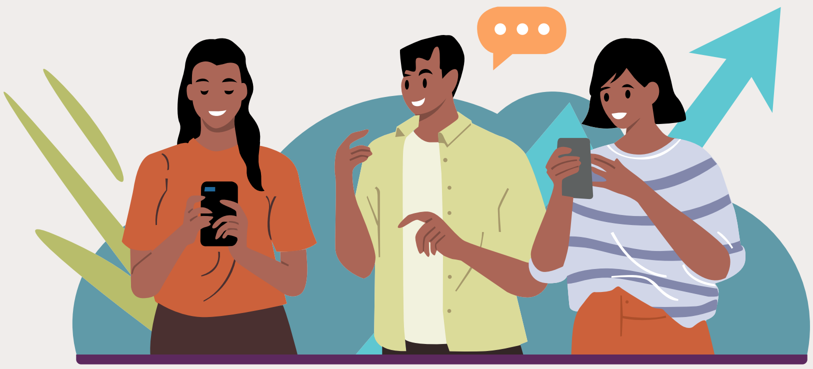
Environment

23.4 million liters of **water used** (2021:21.3 million liters).

34,850kgs of **paper used** (2021: 34,235kgs).

1,540,512kw of **electricity** used (2021: 999,238kw).

289,670 liters of **vehicle and generator fuel** used (2021: 270,662 liters).



Social

Paid to employees
UGX 49.7 Bn (2021: UGX 45.8)

Investment in learning and development
UGX 862 Mn (2021: UGX 626 Mn)

Spent on procurement
UGX 41.9 Bn (2021: UGX 56 Bn)

Branches 58

Mobile vans 14

ATMS and Recyclers
59 ATMs 51 Recyclers

Retention ratio 83% (2021: 75%)

PostAgents 525

Number of employees
1,099 (2021: 1,045)

Impact on our Economy, Society, and the Environment

Our 2022 sustainability report details the impact we have had on each of the following critical facets of our sustainability: economy, society, and environment.

1. Direct economic value generated GRI 201-1

PostBank strongly believes in maximizing the value and benefits generated for our various stakeholders. Economic value generated is derived from our revenue less, expenses, depreciation, and amortization. The wealth created is then distributed stakeholders including employees, government, and our communities.

Our sustainable financial results make it possible to distribute wealth for the prosperity of the following stakeholders:

Value added statement	2021 UGX (bn)	%	2022 UGX (bn)	%
Wealth created				
Interest income	117.32	81%	**125.92**	**80%**
Fee and Commission income	24.51	17%	**29.46**	**18%**
Net trading and other income	2.68	2%	**3.88**	**2%**
Total income	**144.51**	**100%**	**159.27**	**100%**
Interest expense	20.32	30%	**25.29**	**34%**
Other operating expenses	51.18	70%	**53.00**	**66%**
Total wealth created	**73.00**	**100%**	**80.97**	**100%**
Wealth distribution				
Employment related costs	45.88	63%	**49.79**	**61%**
Government	4.80	7%	**6.30**	**8%**
Retention for future growth	22.32	30%	**24.89**	**31%**
Total wealth distributed	**73.00**	**100%**	**80.97**	**100%**

Total wealth distributed

Our Shareholder

We provide Government with a competitive return on its investment. We also contribute to national development through direct and indirect taxes.

Our people

We offer our employees competitive performance-based benefits rewards packages and learning and development initiatives.

Our communities

Our communities are impacted by everything we do. As such, the impact on our social and relationship capital is at the core of every decision we make.

Our internal investments

Every year we retain a portion of the wealth created to fund future projects that will guarantee our continued sustainability.

Our purpose is to play a major role in driving the growth of the Ugandan economy. To maximise our impact, we have broadly segmented Ugandan banking customers in the table below. Our economic impact on society and contribution is primarily focused on; MSME, micro and mass market segments of the banking population which is in line with our mission.

Criteria	High net-worth	Corporate	MSME	Micro customers	Mass market
Income/Size of relationship/ Business turnover/ Exposure	Individuals with banking relationships above set thresholds	Annual business turn over > UGX 5 Bn	Annual business turn over < UGX 5 bn	Exposure < UGX 10 million	Individuals not falling into other categories
Price sensitivity	High	High	Moderate	Low	Low
Products of interest	Investment	Transactional, trade finance, and project finance	Factoring, leasing, and project financing	Transactional	Transactional
Number of transactions	Low	High	Moderate	Low	Low
Level of engagement	High	High	Moderate	Low	Low
Objective	Wealth maximization	Funding and growth	Funding and growth	Funding and advice	Personal financial needs
Background	Business community/ Professionals	Rated, large to medium corporates	Medium business	Self-employed	Salaried employees
Number of banking relationships	Many	Many	Many	A few	A few
Level of competition from banks	High	High	Moderate	Low	Moderate

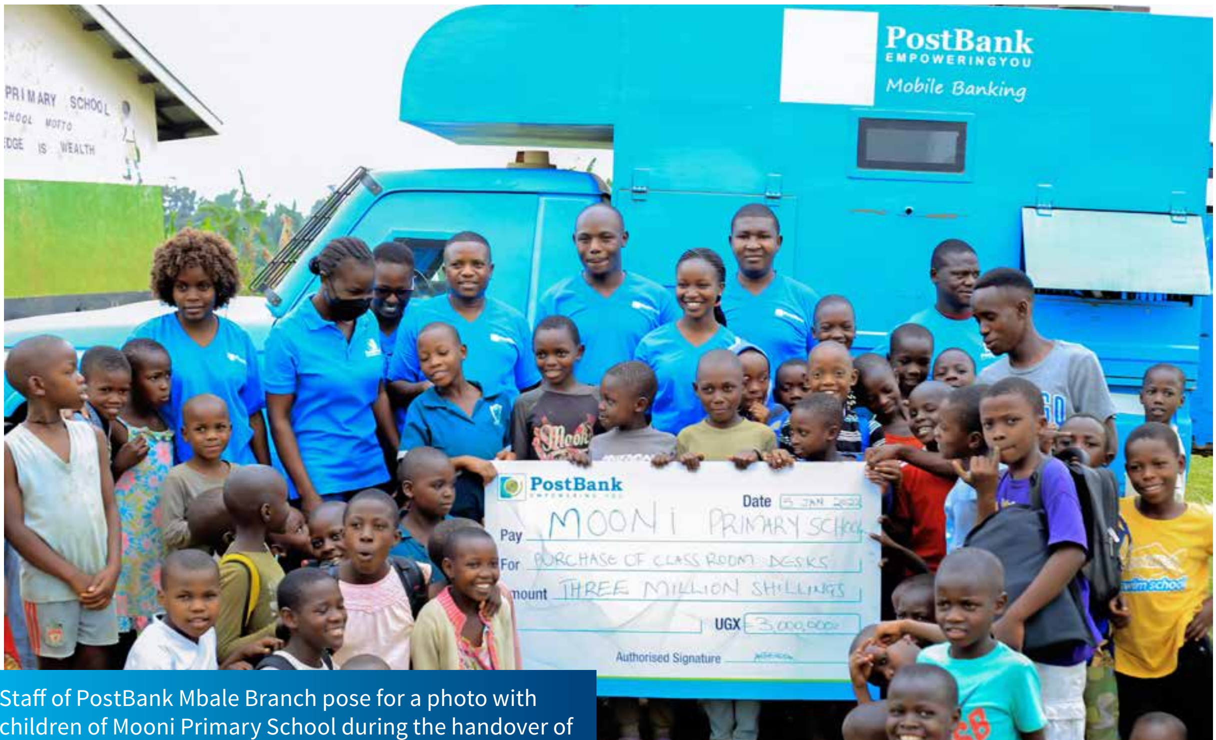
Types of banking customers in Uganda.

PostBank's targeted customers

Our strategic focus is to enhance financial inclusion for social economic transformation. Most of our customers are either MSME's, Micro customers or part of the mass market. These customers range from businesses with an annual turnover of less than UGX 5 Bn to micro and mass market clients whose products of interest are generally transactional, and financing based.

Our economic impact is our social license to operate – We deliberately forego safer investments in Government paper and provide affordable and accessible finance to the mass market in Uganda.

Gross loans and advances 2022: UGX 500.7 Bn 2021: UGX 473 Bn	We contribute to the catalyzation of the economic prosperity of Ugandans by advancing credit to those who would not be able to easily access it elsewhere. We met the financing needs of 51,894 borrowers (2021: 50,717) of which 47,795 (2021: 46,923 were mass market customers.
Businesses, institutions, and micro businesses 2022: UGX 127.5 Bn 2021: UGX 132.8 Bn	These funds made it possible for jobs to be sustainably created through employment opportunities and as a result, increased contribution to Government of Uganda's revenue mobilization efforts through taxation.
Commercial agricultural businesses and smallholder farmers 2022: UGX 106.2 Bn 2021: UGX 109.1 Bn	We believe that there is no economic prosperity without food. To this end, we partner with both commercial agricultural businesses UGX 65.1 Bn lent (2021: UGX 83 Bn) and small holder farmers UGX 41 Bn lent (2021: UGX 26 Bn) to feed the nation by providing working capital and equipment used in agricultural production.
Personal lending products 2022: UGX 253.8 Bn 2021: UGX 214.8 Bn	Through our personal lending products UGX 253 Bn lent (2021: 214 Bn) we make it possible for our customers to purchase, construct homes or raise the capital required to bolster alternative income streams through enhancing their skills or establishing 'side hustles'.



Staff of PostBank Mbale Branch pose for a photo with children of Mooni Primary School during the handover of UGX 3 million for the purchase of classroom desks

Diaspora Banking

No matter where life takes you,
PostBank Diaspora Banking has got you covered

PostBank
EMPOWERING YOU

Addressing financial inclusion

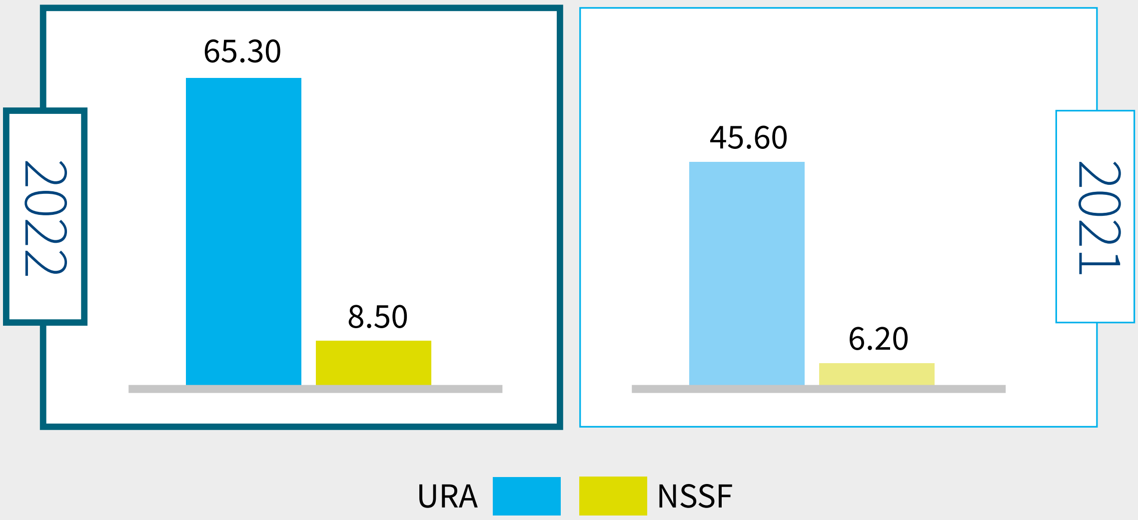
We believe that financial inequalities can only be sustainably addressed through financial inclusion. We contribute to bridging the financial inclusion gap by providing appropriate, timely and affordable financial services to our existing and potential clients. Some of the ways in which we have done this are detailed below.

Solution	Impact
Digital financial products – mobile banking and USSD	We have made it possible for 34,277 users (2021: 26,649) to access our services remotely. Our digital financial products attract a younger more tech savvy clientele that prefers to do their banking remotely.
Agent banking	Our over 525 agents provide our customers with even more ways to access our services. Often times, the transport costs associated with accessing banking services have been significantly lowered making our products not only accessible but affordable to access.
Mobile vans	We have invested in a fleet of 14 mobile vans that are able to reach any corner of the country within a days' notice. This has enabled us to support Government and other development partners reach and pay people of concern efficiently, effectively, and affordably.
Bancassurance	A total of 15,722 life and non-life policies (2021: 11,147) were issued. We have facilitated lower income and the traditionally financially excluded to gain access to products that protect their lives, health, and assets.

Leaders of partner entities such as K2 Telecom Sybyl Housing Finance among others pose for a photo at a high level meeting organized by PBU

Revenue mobilization

COLLECTIONS ON BEHALF OF UGANDA REVENUE AUTHORITY AND THE NATIONAL SOCIAL SECURITY FUND. (UGX BN)



We have collected UGX 65.3 Bn (2021: UGX 45.6 Bn) on behalf of the Uganda Revenue Authority and UGX 8.5 Bn (2021: UGX 6.2 Bn) on behalf of the National Social Security Fund. We have also paid over UGX 5 Bn in direct taxes both this year and the previous year. Our contribution towards the collection and payment of taxes and statutory dues provides the Government with the much-needed resources to finance the cost of providing social services. We are proud to have played our part in the development of our country.

Social and environmental impact

We are committed to playing a direct part in the achievement of the NDP III plan and addressing as many of the UN SDG's as we practically can. Deliberate steps have been taken to ensure that we are a truly responsible corporate citizen by giving back to the communities in which we operate through our various initiatives while remaining conscious of the impact our activities have on the environment.

Key highlights:

- We have facilitated financial inclusion through grant partnerships.
- Ensured our procurements were executed effectively.
- Strengthened our regulatory compliance.
- Contributed to building thriving communities.
- Continuously build a satisfied and loyal customer base.
- Supported our customers in their recovery from the effects of Covid 19.
- Protected our customer data with cyber security.
- Demonstrated the basis of our social license to operate.

Our detailed impacts on the society as well as the environment are detailed in the value creation section of this report on Social and Relationship (page 140) and Natural (page 166) capitals.

Sustainability facts and figures

	2022	2021
Economic		
Profit after tax (UGX)	**15.2 Bn**	12.2 Bn
Direct taxes (UGX)	**5.4 Bn**	5.3 Bn
Return on equity (%)	**11%**	10%
Return on capital employed (%)	**11%**	10%
Number of Branches	**58**	50
Number of ATM's	**59**	57
Mobile vans	**14**	14
Post agents	**525**	414
Customers serviced	**772,651**	710,104
Procurement spend (UGX)	**41.9 Bn**	56 Bn
BUBU procurements (UGX)	**40.2 Bn**	54.3 Bn
Social, Environmental, Human rights and other societal changes		
Number of CSR activities during the year	**1**	2
Number of employees	**1,099**	1,045
Training spend	**990 Mn**	626 Mn

Our ESG strategy

Our aim is to provide affordable financial products and services to both individuals and businesses. We focus on the Micro, Small and Medium size Enterprises (MSMEs) and the public as our key strategic sectors. Through our vast distribution network and advanced ICT infrastructure, we strive to empower and support this sector.

We take pride in the positive impact we have made across the ESG spectrum. To further enhance this impact on a larger scale, we have revised our ESG strategy to determine the most effective means of delivery. PostBank will focus on Financial Inclusion, diversity and inclusion and climate change as areas where we will invest to deliver on our ESG agenda.

Financial inclusion:

We are a truly Ugandan business that is invested in contributing to the development of Uganda through the provision of sustainable financial services. Our long-term goal is to be the Bank of choice for underbanked Ugandans, while promoting savings and deepening access to financial services for MSME's to bring wealth generation with their reach.

1 NO POVERTY · 8 DECENT WORK & ECONOMIC GROWTH · 3 GOOD HEALTH AND WELL BEING

Diversity and inclusion:

Our aim is to promote inclusion by empowering our employees to express their authentic selves. This entails advocating for diversity and inclusivity among our suppliers, clients, and communities we serve.

We strive to ensure equitable representation of under-privileged groups, including gender, age, disabilities, etc., at all levels of the Bank.

5 GENDER EQUALITY

Supporting renewable energy and clean water access:

Our partnerships with Water. ORG, water for people (see page 145 under Social & relationship capital).

We have invested in solar and water and sanitation products to drive our climate change agenda.

7 AFFORDABLE AND CLEAN ENERGY · 13 CLIMATE ACTION

We are committed to prioritizing SDGs where we have the most impact. These are underpinned by the six capitals we use and effect.

ESG Risk assessment

At PostBank, ESG risks are managed by the risk and credit functions. The business of the Bank is continuously monitored to ensure that potential environmental, social risk and impacts are managed to an acceptable level.

Material transactions of a socially sensitive nature are discussed by the Board before they are approved with appropriate safeguards. The key procedures are as follows:

Screen and review transactions → Bucketing transactions for appropriate risk management → Due diligence and approvals → Safeguards are developed and implemented

Our E & S portfolio

Our belief is that finance should not solely be focused on providing a return to our shareholders, it should also have a social and environmental impact.

We give priority to opportunities that align with overall financial inclusion objectives while maximizing value creation for the benefit of our stakeholders.

ESG is embedded in our financing decisions.

During the year we have invested in:

- Solar loans in partnership with Uganda Energy Credit Capitalisation Company – UGX 91.1 Mn (2021: UGX 81.8 Mn)
- Water & sanitation loans in partnership with Water.Org and Water for people – UGX 2 Bn (2021: UGX 2.3 Bn).

Green investments prolong the quality of our environment as well as reduce the harmful impact of current practices.

We strive to contribute more towards clean energy and water into the future.

Water and sanitation loans

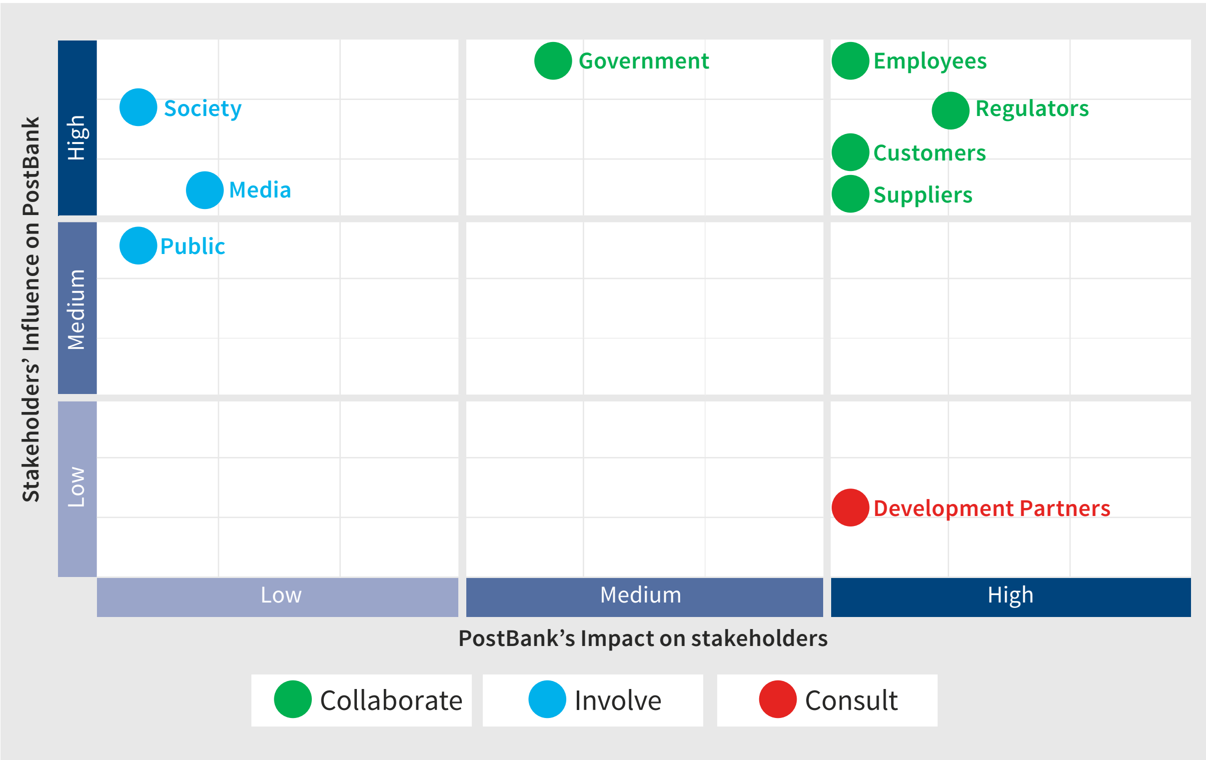
Integrated Stakeholder Engagement

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.

Stake holder mapping landscape GRI 102-42



At the NTV Economic Summit PBU MD Julius Kakeeto spoke to how PostBank is driving financial inclusion to spur economic recovery and growth

Implementing tailored engagement strategies for key stakeholders GRI 102-40,43,44

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.	1 of 5
• Relationship established but much work to be done to improve the quality of the relationship.	2 of 5
• Relationship established, value-generating connection, but with room for improvement.	3 of 5
• Good-quality, mutually beneficial relationship with some room for improvement.	4 of 5
• Strong relationship of mutual benefit.	5 of 5

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		
Employees are fundamental to growing our brand and delivering high-quality service.	Employee engagement is vital to maintain connection, motivation, and an engaged workforce.	Drive business objectives to ensure the delivery of strategy.
How we engage		
• Extensive internal communications using multiple platforms tailored to employees.	• Employee surveys. • Rewards & recognition.	• Performance reviews and exit interviews. • One on one interactions between employees and line managers.
Key matters raised		
• Fair and market-related remuneration.	• Career development and growth opportunities.	• Learning and development, including access to mentorship and coaching programmes.
Our responses		
• Clear employee value proposition and reward framework developed.	• We created a graduate management trainee program to attract and retain at-least 54 fresh graduates with high-potential annually.	• Our specialist learning and development department supports capacity building.
• We regularly benchmark remuneration practices against peer and industry companies and work to ensure our remuneration practices are fair, transparent, and equitable.	• We strive to prioritize internal promotions for all our staff. See page 137 on internal promotions.	• We support internal employee promotions when opportunities arise and encourage internal career growth.
Quality of relationship indicator		4 of 5

Our clients
Objective- To provide exceptional client experience

Why we engage		
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.		
How we engage		
• Customer surveys.	• Our branches and customer touchpoints.	• Communication across various platforms (emails, WhatsApp groups, print and electronic media, toll free call center, and Postapp.
Key matters raised		
• Turn around time on loan applications and complaints management.	• Branch service.	• Channels – Mobile banking, ATM and agency banking availability.
Our responses		
• Continued process improvements in all our interactions with customers. We continue to innovate and implement service standards across our value chain.		• We continue to invest in our channels to meet the unique needs of our targeted customers. See our trade-off sections on page 96.
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 more especially the implementation of programs or products that drive sustainable wealth creation and support the GOU's NDP III.

In 2022, PostBank Uganda Limited disbursed 37,000 (2021: 43,000) 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. 28% (2021: 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, 18% (2021: 21%) of the facilities channeled towards the key growth opportunities were extended to female owned enterprises while 52% (2021 71%) of the facilities were channeled to businesses located in rural areas.

Given the centrality of industrialization manufacturing in the development journey of the country, the Bank extended over UGX 12.2 Bn to fund manufacturing and agro-processing ventures. Through its strategic partnership with Uganda Development Bank Limited (UDBL), in 2022 the Bank extended support in excess 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 externally, by empowering its customers to access finance internally, by providing a stable source on 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.
Focusing on the internal contribution to employment and wealth creation, as of 31 December 2022, the Bank was providing employment to a total of 1,099 men and women (2021: 1,045).

PostBank Uganda Limited strives to be a market leader in driving financial inclusion to hard-to-reach locations and the provision of mass payment solutions to Persons of Concern (PoCs) on behalf of our development partners. Refer to page161 for details.

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		
By understanding our shareholders' requirements and meeting their expectations of sustainable value creation, we grow trust in our Bank, which strengthens our access to more government support and funding.		
How we engage		
• Annual General Meeting.	• Participation in different government programs.	• Continuous ad hoc meetings.
Key matters raised		
• Limited access to credit for the Ugandan population.	• High cost of credit.	• Agriculture financing
Our responses		
• 90% of our capital is dedicated to lending rather than investment in Government treasury bills and bonds.		• Subsidize the costs of borrowing especially on agriculture financing
Quality of relationship indicator		

Vice President Jessica Alupo launches PDM in Kayunga

Suppliers
Objective - To treat all the 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		
• We promote suppliers' 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.		
How we engage		
• Direct contact between vendors and PBU's supply chain buyers and sourcing specialists.		
Key matters raised		
• Supplier opportunities available.	• Compliance with PPDA & tax requirements	• Turn Around Time of payments
Our responses		
• We remain committed to expanding our supplier database with a clear bias for Ugandan businesses.		
Quality of relationship indicator		

Regulators
Objective- Exemplary governance and ethics in everything we do.

Why we engage	
Our business is heavily regulated to protect the legitimate interests of all concerned. Of note, our key regulators are Bank of Uganda and PPDA.	
How we engage	
• Regular circulars and meetings with Bank of Uganda and PPDA.	• Submissions of regulatory requirements to Bank of Uganda and PPDA.
Key matters raised	
• Impending regulation and timely adherence to regulator directives from the Central Bank.	• Procurement accreditation tailored to banking and financial services from PPDA.
Our responses	
• Continued process improvements in all our interactions with Bank of Uganda and PPD. We support and actively foster a transparent and productive relationship with all our regulators. This is part of our strategic pillars.	
Quality of relationship indicator	

Development partners

Objective- Transparent, accountable, and timely implementation of projects

Why we engage		
We have mutual interests in various aspects of community service and service delivery.		
How we engage		
• Program specific meetings.	• Assessment of program implementation including monitoring and evaluation.	
Key matters raised		
• Progress of program accountability and assurance audits .	• Adherence to grant conditions and agreements.	• Effectiveness of interventions & projects.
Our responses		
• We are committed to seamless accountability and delivery of mutually agreed projects. Refer to page 144 for details.		
Quality of relationship indicator		

Society

Objective - To be a responsible community participant

Why we engage			
• 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 to improve household incomes and the quality of life of Ugandans.			
How we engage			
• 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.	
Key matters raised			
• Employment of local talent.	• Business development in local communities.	• Skilled work force development.	• Social benefits to the development of communities where our branches are located.
Our responses			
• Our CSR Policy will create a significant impact for communities.			
Quality of relationship indicator			

4 OUR BUSINESS IN CONTEXT

Reflections from our Board Chairman

Andrew Otengo Owiny
Board Chairman

36%
Customer deposits increased by 36% to **UGX 689bn**

27%
Total assets rose to **UGX. 947bn** from UGX. 746bn in 2021

16%
Return on Equity grew to **UGX. 135.6bn** from UGX. 117bn in 2021.

24%
Profitability grew to **UGX. 15.2 bn** from UGX. 12.2bn in 2021

> **Despite several challenges, PostBank Uganda continued with its growth strategy focusing on transforming lives and livelihoods with growth in its SME and Agriculture businesses.**

Dear Stakeholders,

The last 12 months were characterized by the economy moving on from the COVID-19 pandemic with several signs of recovery, albeit at a slow pace.

Uganda's economic growth projections of 5.0% to 5.3% held strong in the financial year 2021/2022 and several businesses enjoyed their first full year of uninterrupted operations.

The financial services industry was not any different as it started witnessing growth in the loan book which is testament that the banks had regained confidence that businesses were starting to recover from the COVID-19 pandemic. Across the industry, the loan book grew by 11% or UGX 1.9trillion while deposits grew by 12% or UGX 3.4 trillion between 2022 and 2021.

During the year, the regulator announced the proposed new regulations on capital which would require an increase in minimum capital requirements from UGX 25 Bn to UGX 150 Bn.

Despite several challenges, PostBank Uganda continued with its growth strategy focusing on transforming lives and livelihoods with growth in its SME and Agriculture businesses.

The Bank's total assets grew by 27% from UGX 746 Bn in 2021 to UGX 947 Bn in 2022 while Profits After Tax grew by 25% from UGX 12.2 Bn to UGX 15.2 Bn over the same period.

The Bank demonstrated resilience following a difficult period and is looking forward to a future of continued improvement in performance.

Andrew Otengo Owiny
Board Chairman


PostBank
EMPOWERING YOU
Forest Mall Branch
1st Floor
Banking Hours
Monday - Friday
8:30am - 7:00pm
Saturday
9:00am - 6:00pm
Sunday
9:00am - 2:00pm

Our Material Matters, Risks and Opportunities GRI 103-1,2 & 3

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 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

S STRENGTHS	W WEAKNESSES	O OPPORTUNITIES	T THREATS
• 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.	• Low utilization of digital platforms. • Manual and lengthy service and product processes. • A high cost to income ratio. • Unoptimised technology. • Inadequate human resources capacity. • Limited experience in treasury operations, relationship management and transaction banking. • Un-optimized infrastructure.	• 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'. • Rapid urbanization. • Spill-off SMEs from the oil and gas investments. • Upcoming government projects. • Mobile phone Banking penetration.	• 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.

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 as 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 67). 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.	• 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.

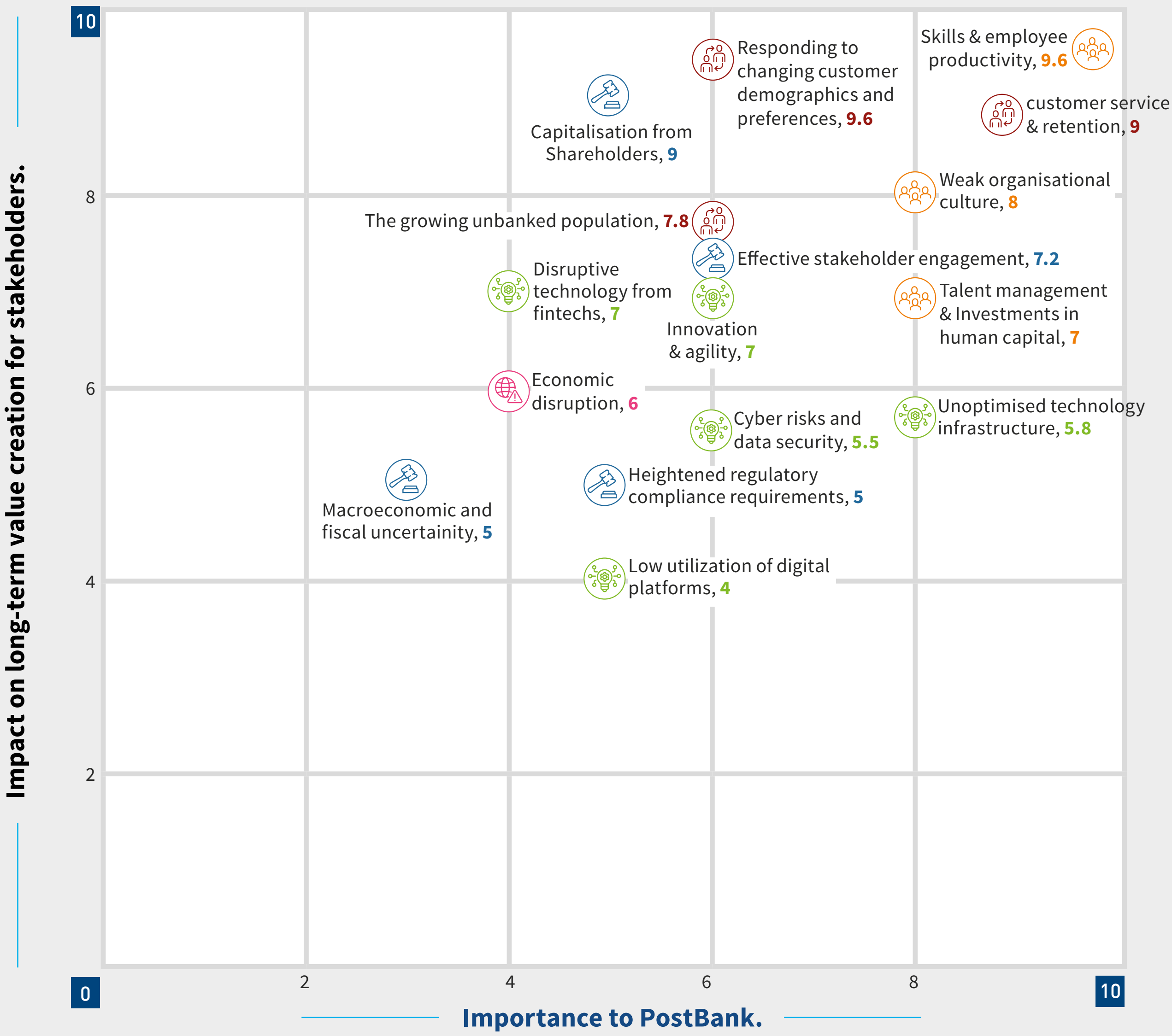
Our Materiality Themes - the outcomes of our materiality process. GRI 102-47

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.
- Uncertain geopolitical & post pandemic socioeconomic 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.

0 – High, 10 – Very High



For more information on our materiality themes, please see our operating context (page 72), and for more information on our material matters please see our value creation section of this report (page 106)

Martin Anioka
Chief Risk Officer

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 defense.

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.

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 is 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 is 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 2022.

S/N	Risk Type	Inherent Rating	Overall Net Risk	Direction Horizon	Overall RAG
1.	Operational Risk	High	Moderate	↑	
2.	Credit Risk	High	Moderate	↑	
3.	Compliance Risk	High	Moderate	↑	
4.	Technology/ Cyber risk	High	Moderate	↑	
5.	Legal Risk	Moderate	Low	↔	
6.	Liquidity Risk	Moderate	Low	↔	
7.	Strategic Risk	Above average	Moderate	↑	
8.	Market Risk	Moderate	Low	↔	
9.	Country Risk	Moderate	Low	↔	
10.	Outsourcing Risk	High	Moderate	↔	
11.	Product Risk	High	Moderate	↓	
12.	Project Risk	Moderate	Low	↔	
13.	Reputational Risk	Low	Low	↔	
14.	Pandemic Risk (COVID-19/ Ebola Virus Disease).	Low	Low	↔	
15.	Stakeholder Risk	Moderate	Low	↔	
	OVERALL RISK MANAGEMENT RATING			**ACCEPTABLE**	

Our Risks and Opportunities.

Top four risks for the Bank are strategic risk, Operational risk, Compliance risk and Credit risk.

- **STRATEGIC RISK: –**

Strategic risk remains a key concern;

- Our implementation of the business strategy and operating models will be greatly informed by our Capital position.
- Our compliance to the minimum paid up capital requirement of UGX 120 Bn that was effective 31st December 2022 was attained through capitalization of the Bank's retained earnings for the period ended 31st December 2022 however, the Bank must move towards complying with the required minimum paid up capital of UGX 150 Bn as at 30th June 2024 to be able obtain necessary regulatory approvals for key strategic initiatives. Shareholder engagement for additional Capital injection is ongoing. As a business, we will review business plans considering the above as well as continuously review our capital planning.
- Commercialization and success of key projects such as the e-wallet are pivotal to the attainment of the Bank's overall financial performance over the period 2023; and the next strategy period 2024-2028.
- The Board and Management will continuously review and align the Bank's strategy and capital positions to the business needs and regulatory requirements.

- **OPERATIONAL RISK: –**

Operational risk will remain high and mainly driven by;

  - The increase in the Bank's branch network, leading to significant headcount and heightened administrative burden/operating cost and oversight.
  - Process risk - We are automating but we have also remained heavily reliant on manual processes and people as evidenced by the existence of our wide branch network.
  - The implementation of the E-Wallet Solution and other Digital Financial Solutions/projects such as e-commerce will escalate cyber risks hence a need for proper and timely risk assessments.
  - The Bank will also obtain a Cyber risk insurance policy in this regard.

- **COMPLIANCE RISK: –**
  - Key concern remains the requirements on Minimum Paid up Capital unimpaired by losses of UGX 150 Bn required by 30th June 2024.
  - Our Capital Management Plan focuses on capitalization of retained earnings as well as seeking additional capital from the shareholder (Government of Uganda).

- **CREDIT RISK: –**
  - There is a likelihood that businesses will struggle due to a decrease in government spending/ budget cuts. Decreasing government spending tends to slow economic activity as the government purchases fewer goods and services from the private sector.
  - A slow economic activity may derail performance of key sectors especially trade leading to low borrowing but also increase in credit losses/high default risk.
  - Our governance around credit risk management is strong. We have put in place a robust credit administration, credit analysis, credit monitoring and credit recovery teams to closely monitor credit risk and manage risk within the Bank's risk appetite and approved tolerance levels. We take advantage of data analytics to monitor the key risk indicators closely.

ENVISAGED OPPORTUNITIES.

- The Bank has an opportunity to mobilize cheap but sticky deposits through successful commercialization of the e-wallet.
- The implementation of Omni Channels for business operations could yield efficiencies by reducing the cost of operations mainly driven by the level of automation (e-channels) and an opportunity for management of headcount as well as reduction in Operational losses because of human errors and fraud to some extent.
- Leverage on technology for micro lending.
- Strategically position the Bank as a government owned bank and attract government business based on the existing capabilities.

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 2023 and beyond and we are alert to the post Covid-19 impact as well as technological advancement 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 2023 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 for our stakeholders. We identified five trends that stood out as the broader themes under which our material matters are classified. These trends also have the potential to transform our business. The following section describes specific risks and opportunities within these broad material themes.

Risk Categories Strategic, Financial, Operational, Market, Credit, Liquidity, Reputational

Time frame: For each key external factor, we indicate the time frame in which it will significantly impact the Bank. For this integrated report, short-term refers to the ensuing financial year (ending 31 December 2023), medium-term, the period up to 31 December 2025, and the long-term, the period from December 2025 and beyond.

Year on year movement: Increased Emerging Stable Decreased

Material matters are divided/categorized under Economic, Environment and Social aspects.

Social

Technology innovation & digitization in the banking industry

Context/Description

- 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 emergence of nontraditional competition in telecoms, insurance, fintech and community SACCOs.
- Rapidly increasing investments in digitalization to deliver a superior customer experience by meeting evolving needs of customers, transforming our processes and honing digital skills of our employees.
- Cybersecurity poses a threat to our reputation due to the emergence of new technologies, increased usage of digital channels post pandemic, remote working arrangements and sophistication of cyber-attacks .
- Reliance on big data and artificial intelligence.

How this impacts our strategy – Why it is material.

- Adoption of emerging technologies enables us to extend our financial services to the unbanked, enhance service standards, introduce a culture of innovation, and augment our core product offering that is a historically brick and mortar led service.
- We have invested heavily in technology in terms of attracting highly dedicated and skilled talent that may be difficult to retain. Although innovation and adoption of new technologies can be a differentiator, a failure to effectively execute & implement digital transformation can lead to business loss, reputational damage, poor customer experience and budget overruns.

Our response /approach.

- We modernized and simplified our systems – our core banking platform and ATM switch to allow for integration with emerging technologies that now enable us to service our customer better, reduce risk and improve system availability and resilience.
- We have made significant steps in our data gathering and analytics capabilities to tailor our service offering and grow our customer base.
- We have continually strengthened our security controls and continued to create cybersecurity awareness among our clients and employees.

Year on year movement	Risk category	Time frame	Capitals impacted
+	Strategic, operational, reputational,	Short to long term.	FC IC MC NC SRC

Impacted short to medium term strategic priorities	Related stakeholders	Relevant GRI and boundary	Impacted SDGs
	Customers, employees & regulators.	• 401: Employment -within. • 404: Training and Education - within. • 418: Customer privacy - within	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

For more information on how we are responding, please see our strategy discussion on pages 84-105

Economic

Uncertain geopolitical & post pandemic socio-economic business environment.

Context/Description

- Geopolitics and associated knock-on effects related to imported inflation, uncertainty, complexity, and ambiguity create potential social and economic disruptions, with COVID-19 significantly altering the operating context, accelerating trends, and highlighting structural issues within the Ugandan economy.

How this impacts our strategy – Why it is material.

- Macroeconomic and fiscal uncertainty: Factors such as low economic growth induced by the longer-term effects of COVID-19, high unemployment levels, currency volatility, rising liquidity pressure on MSMEs as well as related high administration costs, inflation and weakening macroeconomic fundamentals impede growth and investment, that may reduce the demand for lending, increase the cost of doing business and the potential for customer defaults.
- Disrupted supply chains driving up the cost of imports for our customers: Imported inflation attributed to the uncertainty related to the Russia-Ukraine conflict continue to drive up the cost of doing business and could reduce the demand for our services and lower the spending power of our customers, affecting our profitability and customer deposits held with us.

Our response /approach.

- Building onto the gains of the previous year, we continue to position our core portfolio to withstand the prevailing business environment through our elevated credit risk assessment process.
- Generate business development strategies to drive diversification and market development. Increasing our share of wallet and sustainably banking the Government of Uganda is central to our strategic response and allows us to diversify our revenue streams.

Year on year movement	Risk category	Time frame	Capitals impacted
+	Financial, operational, Market.	Short to long term.	HC IC MC FC SRC

Impacted short to medium term strategic priorities.	Related stakeholders	Relevant GRI and boundary	Impacted SDGs
	Customers, employees & regulators.	• 201: Economic performance - within and outside. • 203: Indirect economic impacts – outside.	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES

For more on our strategic response see pages 84-105

Social

Heighted demand on governance and regulatory context

Context/Description

- Keeping abreast of relevant and emerging legislation in the current regulatory landscape which is changing at an unprecedented rate, to ensure associated risks are well understood and controls are embedded in the Bank's operations.

How this impacts our strategy – Why it is material.

- We need to comply with numerous local and international regulations and applicable industry regulations. Sound governance and compliance are central to our business reputation and license to operate. However, regulatory and policy developments remain a challenge across our industry, as the regulatory land scape continues to evolve at an unprecedented pace with increasingly stringent requirements.
- Good governance is important to create trust and engagement between the Bank and its key stakeholders, contributing to the long-term success of our business.

Reason for the increase

- Rapid changes in the regulatory environment impact the cost of operations.
- Increased regulatory and compliance requirements following COVID-19.
- Failure to comply with applicable laws and regulations can lead to reputational damage, financial penalties and/or suspension of our license to operate.
- Observing good corporate governance principles and restoring previously diminished public trust in our brand is critical to attracting capital and goodwill with business partners.
- Introduction of Basel II and its related increase in minimum capital requirements by Bank of Uganda.

Our response /approach.

- Governance is not merely a matter of compliance – 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.
- Dedicated risk management and compliance departments to provide oversight to the overall compliance of the Bank.
- Maintained proactive relations with the Government and Bank of Uganda.
- Designated legal teams and a robust compliance framework.
- Training and awareness programs to educate staff on areas of compliance and ethical culture.

Year on year movement	Risk category	Time frame	Capitals impacted
+	operational, reputational.	Short to long term.	HC IC MC FC SRC

Impacted short to medium term strategic priorities	Related stakeholders	Relevant GRI and boundary	Impacted SDGs
	Shareholders, employees & regulators.	• 404: Training and Education - within.	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

We continue to meaningfully & proactively engage with other regulators that affect our business.
For more information on how we are responding, please see our strategy discussion on pages 84-105

Social

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

Context/Description

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 – Why it is material.

- 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.
- 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 player to enhance our client's customer experience.

Our response/approach

- Increasing investment in digital channels, smarter capital allocation, innovative tailor-made customer propositions and competitive pricing through new partnerships.
- Strategic focus on simplifying offering and accelerating digital transformation for an improved customer experience.
- Developing insights into customer needs and behavior patterns to provide tailored customer propositions and achieve market leadership in niche segments.

Year on year movement	Risk category	Time frame	Capitals impacted
⊕	Strategic, operational, reputational.	Short to long term.	FC IC SRC MC

Impacted short to medium term strategic priorities	Related stakeholders	Relevant GRI and boundary	Impacted SDGs
	Shareholders, Customers.	• 203: Indirect Economic Impacts - outside.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

For more information on how we are responding, please see our strategy discussion on pages 84-105

Social

Workforce capability & work methods

Context/Description

The emergence of new technologies, changing macroeconomic conditions and increased regulatory scrutiny have increased the need to have a team of employees with new and different skill sets, with deep banking experience to deliver for the stakeholders.

How this impacts our strategy – Why it is material.

Our people are critical to our success, and our inability to attract or retain the right talent could hinder the delivery of our long-term goals. Attracting and retaining the needed skills have become more challenging due to intense competition from non-traditional players.

Reason for the increase

- 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 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.
- Productivity of our employees is our top priority for sustainable business growth.
- We reorganized and strengthened our business human capital to effectively service our customers. This was one of the reforms approved by the Board when the Bank obtained its tier 1 commercial banking license.
- We embarked on creating a new culture that focused on staff productivity, unity of purpose, customer centricity and values that guide acceptable performance behavior in across our business.
- Training and development initiatives tailored to specific roles and personal development needs of employees.
- We rolled out a performance management system that is consistent with our business strategy and introduced a talent management program.

Year on year movement

+

Risk category

Strategic, financial operational, reputational.

Time frame

Short to long term.

Capitals impacted

HC IC

FC SRC

Impacted short to medium term strategic priorities

Related stakeholders

Shareholders, Customers, employees, society.

Relevant GRI and boundary

- 401: Employment - outside.
- 404: Training and Education - within.

Impacted SDGs

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

5 RESPONDING STRATEGICALLY

Chief Executive Officer's Review GRI 102-14

Julius Kakeeto
Managing Director/CEO

PostBank Uganda (PBU) started 2022 with great anticipation after obtaining a Tier One license to operate as a fully-fledged commercial bank.

The overarching goal of the year was to build a solid foundation that would propel the Bank forward and fulfill its vision of being a pace setter in transforming lives and livelihoods and its mission of offering affordable and sustainable financial services that drive financial inclusion for social-economic development.

Despite facing challenging economic conditions as the economy continued to recover from the adverse effects of COVID-19, the Bank managed to achieve growth across all the major performance parameters.

In 2022, we achieved growth of UGX. 181bn in customer deposits from UGX. 507bn to UGX. 689bn, a 36% growth

UGX 479bn
the loan book leaped by **5%** from UGX. 454bn in 2021

UGX 689bn
triple-digit growth of **customer deposits** from UGX. 507bn

98%
revamped digital banking channels increased **uptime** to 98%

UGX 15.2bn
profitability grew by **24%** from UGX. 12.2bn to UGX. 15.2bn.

11%
total revenue grew to **UGX. 137bn** from UGX. 124bn in 2021

> **We will also continue to drive for excellent service delivery while leveraging partnerships to achieve our strategic aim to be a pacesetter in economically transforming lives and livelihoods.**

driven by improved customer service and onboarding of high quality depositors. The loan book also increased by 5% from UGX. 454bn in 2021 to UGX. 479bn, as businesses slowly resumed borrowing following a period of subdued consumer demand.

The Bank's Revenue increased by 11% from UGX. 124bn to UGX. 137bn driven by growth of the loan book and transacting customers.

Despite the fact that our investment in digital enhancements, technology and branch refurbishments increased our expenditure by 9% from UGX. 127.6bn to UGX. 138.8bn, we reported an impressive 24% growth in profitability from UGX. 12.2bn to UGX. 15.2bn.

As part of our digital journey, we upgraded our core banking system & the ATM switch, strengthened our cybersecurity space and revamped our already existing digital banking channels to increase uptime to 98%. Alongside this, we overhauled our ATM dispensers and replaced them with 59 smart ATMs – currently the highest number of smart ATMs in the country. This gave the customers an opportunity to carry out transactions outside the banking hall.

We also deepened our visibility and reach through our financial literacy programs. Our agriculture forums were used to educate and equip farmers with skills to grow their agribusinesses. More than 850 farmers were impacted.

The Bank also developed an AgriSME development program in partnership with the Federation for Small and Medium Sized Enterprises (FSME) with the aim of upskilling SMEs in the agriculture value chain with value addition capabilities. The program benefited 500 SMEs of which 70% were represented by women. In the future, customer needs and preferences will continue to inform and guide the way we do business.

We shall take deliberate steps to ensure that 99% of all customer transactions are served using our digital banking channels.

We will also continue to drive for excellent service delivery while leveraging partnerships to achieve our strategic aim to be a pacesetter in economically transforming lives and livelihoods.

I would like to conclude by stating that the Bank has invested in creating a stable foundation to support its future growth, focusing on technology to improve customer experience and risk management.

Julius Kakeeto
Managing Director/CEO

Those Charged with Governance

BOARD OF DIRECTORS

Andrew Otengo Owiny Chairman	Beatrice Amongi Lagada NED	Lawrence Kasenge NED	Faridah Mukasa Kasujja NED

EXECUTIVE COMMITTEE

Andrew Agaba Chief Business Officer	Janey Rachel Nakato Chief Operating Officer	Peter Ssenyange Chief Finance Officer	Doreen Asaasira Muhangazi - Chief Human Resource Officer	Martin Anioka Chief Risk Officer	Gonzaga Mugumya Chief Internal Auditor

SENIOR MANAGEMENT TEAM

Francis Lutalo Head Business Technology	George William Kiyingi - Head Agency Banking	Stella Agaba Financial Controller	Ibrahim Kato Regional Distribution Head. Western Region	Samuel Ocuwai Head of Strategy	Moses Wandera Regional Distribution Head, Easter Region	George William Walusansa - Regional Distribution Head CBD

Joseph Areu
NED

Julius Kakeeto
Managing Director

Andrew Kabeera
Executive Director

Justine Wabwire Tumuheki
Company Secretary

Martin Mugisha
Chief Credit Officer

Damalie Nalukwago
Head Operations & Service

Emmanuel Lukwago
Head Compliance

Henry Mubu Rwankwenge - Head Personal Banking & Products

Flavia Nabukeera
Head Mobile Banking

Abaasi Mawanda
Head Business & Institutional Banking

Priscilla Akora
Head Marketing & Communications

James Kasozi
Head Digitization & Innovation

JohnPaul Miiro
Head Change & Project Management

Martin Lukyamuzi
Regional Distribution Head Greater Kampala

Herbert Niwagaba
Head Admin

Partaker Emmanuel
Head Legal Services

Patrick Osakan
Regional Distribution Head, Northern Region

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 centres on five strategic pillars, which guide our decision making and execution in our endeavours to create value in the short, medium, and long term.

Performance
- Delivering exceptional results for Internal and external stakeholders.
- Strengthened distribution network.

Governance & Risk
- Strong compliance culture and acceptable ratings by regulators.
- Strengthen risk management framework.

Technology
- Deliver a secure online experience for our customers.

People
- Harnessing our people's skills, abilities and attitudes.

Service
- 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 the society in which we operate.

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

Hon Evelyn Anite accompanied by MD PBU Julius Kakeeto inspect some of the products of the beneficiaries of the value addition training by FSME and PBU.

Strategy Map

Our 5-year strategic intent – A market leader in financial inclusion that drives socio economic development.

Long-term strategies

Long-term strategies (Strategic pillars that create and preserve value for our stakeholders)

Performance	Governance	Technology	People	Service
Delivering to our customers is a key strategic imperative for us and guarantees our long-term sustainability.	By making sure that our business processes and governance checks are strong, ethical and comply with international best practice, we use governing excellence as a leveraging tool for a well run organization.	Our strategy execution, customer experience and distribution channels are heavily reliant on our ability to provide a reliable, secure, and robust technology platform and related digital capabilities.	At PBU our staff make our business. Their resilience, skill, competence, innovative spirit, and care for our brand ensure that our client's needs are met.	Our goal is to offer convenience, speed, reliability, and good experience to all our customers regardless of touchpoint used.

Short to medium-term strategic priorities

Lead the way in Agribusiness financing	Strengthen the distribution network	Reinforcing risk management	Improve technology efficiency	Employee engagement & productivity	Enforce service delivery and excellence.
• A market leader in agri-business financing. • Make an impact across the full value chain – • Supply, Production, Storage, Logistics, Processing and Trade.	• Grow the branch network to 70 branches. • Improve Branch productivity. • Enable mass customer acquisition & transaction processing.	• Achieve an overall acceptable risk rating. • Ease the storage and retrieval of all customer application documentation.	• Upgrade of the Bank's ATM switch. • Upgrade the Bank's core banking system to efficiently serve over two million. • Enhance and transform data analytics.	• Attract talent. • Improve talent & performance management programs.	• Obtain accreditation from the PPDA on several procurement processes.

Short to medium-term strategic priorities

Market leader in financial inclusion

Our goal at PBU is to offer affordable and sustainable financial services that drive financial inclusion for socio economic development in Uganda.

Corporate Social responsibility (CSR)

- Develop Corporate Social Responsibility (CSR) programs.

Targeted outcomes anchor our organic growth.

- Promoting responsible and sustainable financing for MSMEs & Individuals in the Ugandan context.
- Meaningful community engagement & valuable corporate citizen.
- Taking care of our employees.

Outcomes of strategies 2022

Outcomes of strategies 2022

- 773,222 clients served.
- 37,055 loans disbursed.
- Healthy balance sheet revenue/profit growth.
- Upgraded two major client facing systems.

Our Short to Medium-Term Strategic Priorities

We continue to execute our strategic priorities in the short to medium term to achieve our long-term strategy. Our five strategic pillars are aligned with each strategic pathway to drive the achievement of our long-term strategy. Within these priorities, we have identified key focus areas with the anticipated outcomes as more fully described below.

Strengthen the distribution network

Why it matters most

While we strongly believe in reaching all Ugandans with affordable financial services, we acknowledge that 75% of Uganda's gross national product (GDP) is in Kampala and Wakiso districts in which our footprint is historically poorly represented. In executing our long-term strategy, we are investing to double our branch network in the right areas, revamp & expand our ATMs and branches as well as introduce innovative solutions to facilitate payments through our economy.

Related material matters

Capitals employed

Resource allocation

Our investments in infrastructure (brick & mortar as well as an agency network) underpin our efforts to deliver affordable services in different parts of Uganda and improve the look and feel of our existing branches.

Contributing to our long-term objectives

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) of the Republic of Uganda. A revamped distribution network that is relevant to our target customers and aids financial inclusion as well as improved customer experience is essential to the long-term sustainability and profitability of our business.

Primary UNSDGs

1 NO POVERTY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

17 PARTNERSHIPS FOR THE GOALS

Trade-offs

- We need to provide an appropriate rate of return to our shareholder and borrowers including depositors to attract the capital we need to fund growth. This requires us to increase our revenue generation by continuously and sustainably meeting our client's needs.

Lead the way in Agribusiness financing

Why it matters most

Agriculture is the backbone of Uganda's economy, however, agribusiness is the engine that adds value to our farmer's produce and supports Uganda's export promotion strategy of value addition.

We shall support the entire value chain with specific focus on mechanization, agro processing, storage, and logistics of specific agricultural sub sectors.

Related material matters

Capitals employed

Resource allocation

We have committed a specific amount of our capital to financing specific agri-business sectors. This capital allocation will amount to 35% of our loan book by 2025 and beyond.

Contributing to our long-term objectives

Market leader in Agribusiness financing and make an impact across the full value supply chain , production, storage, logistics, processing, and trade.

Primary UNSDGs

Trade-offs

- Commit significant capital to a risky but essential portfolio.

Reinforcing risk management

Why it matters most

Our business is about managing risk. We are custodians of value for depositor’s money as well as managers of loans of various tenors and risk characteristics.

We strive to establish a healthy risk culture to effectively anticipate and manage the numerous risks that arise in a constantly evolving landscape.

We continue to explore all available opportunities to improve and align our strategies and operations with our business model & regulatory requirements.

Related material matters

Capitals employed

Resource allocation

We have made investments in processes, systems, our people as well as relationships with our regulators to establish protocols that identify and prevent irregularities and any form of regulatory infraction.

This is a continual process as we adapt the Bank’s operations & business model to an ever-changing competitive landscape and the needs of our customers.

Contributing to our long-term objectives

To achieve our long-term objective of a well governed institution we are committed to establishing a risk culture in line with best practice that mindfully considers customer needs and is robust to meet regulatory requirements.

Primary UNSDGs

Trade-offs

- Complying with ever-changing regulatory requirements requires us to incur costs of compliance, establish business systems and processes related to these changes, extensively train our staff, and engage specialist skills.
- We operate in a high interest rate environment which adversely impacts our customers from an economic and social standpoint. Inevitably we are required to tighten our risk appetite which in turn hinders our customer growth and revenue generation.
- Managing change from physical document management to a centralized and digital storage is a huge undertaking requiring excellent project management, human & financial resources.

Strengthen cyber security.

Why it matters most

Cyber security is critical as we overhaul our technology infrastructure and engage in mutually beneficial partnerships with third parties to promote financial inclusion.

Related material matters

Capitals employed

Resource allocation

Our Board has approved significant financial resourcing for both human and technology assets over the short and medium term.

Contributing to our long-term objectives

A secure online experience is important for our fast-growing customer base and the partnerships we are building in order to reach the underserved and unbanked.

Delivering a strong and updated cyber security platform ensures good governance by providing data security for both customer data as well as boosting the confidence of our partners.

Primary UNSDGs

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Trade-offs

- Continued investment in updated technology and software applications requires significant financial capital.
- Investing in & retaining certified skillsets as well as maintaining technical partnerships that are vital intellectual capital in this critical and rapidly changing discipline.

Improve technology efficiency.

Why it matters most

In the short to medium term, our strategy execution, customer experience and distribution channels are heavily reliant on our ability to consistently provide a reliable, secure, and robust technology platform as well as suitable digital capabilities to meet the needs of our diverse customer base.
Ours is historically a brick & mortar led banking service and we positively embrace the impact and ramifications of changing customer preferences on our client onboarding processes. Addressing this in the shorter & medium term allows us to position the Bank for growth and relevance in the Ugandan context.

Related material matters

Capitals employed

Resource allocation

In the last three years, we have begun to make hefty investments in transformational initiatives relating to technology, systems, and human capital as part of our roadmap to meeting the unique needs of our customer base.

We also started work on understanding our customer behavior in order to drive data led decision making at all levels within the Bank.

Contributing to our long-term objectives

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.

Primary UNSDGs

Trade-offs

- These initiatives require significant investment of financial capital at the outset. This is against the backdrop of tight scheduled regulatory deadlines required for the increased BASEL II capital requirements related to paid up capital as supervised by Bank of Uganda. Our investments in an upgraded core banking system and ATM switch are long term in nature and require hefty capital injection in the short term. Therefore, we must be mindful to balance our short to medium term capital spend with the need to meet these regulatory requirements by the end of 2024.
- Our ability to access unique human, intellectual & technical skills to drive our data & digitalization journey requires significant investment of financial capital.

Enhance and transform data analytics.

Why it matters most

Our service offering is predominantly tailored to the Ugandan MSMEs market. This customer base is a diverse, splintered and often underserved group from a financial services perspective due to real or perceived risk and high cost to serve. Nevertheless, this is our business, and we strive to understand our customers' behavior as well as their changing preferences. This is why enhancing our ability to gather data and enhance analytics is essential to deploying the right customer solutions and incorporate customer behavior in all our lending decisions.

Related material matters

Capitals employed

Resource allocation

We started work on understanding our customer behavior to drive data led decision making at all levels within the Bank. This unique effort augments our performance management efforts in the human capital space as well. To this end we are investing heavily in people, skillsets, processes, and technology to embed this aspect in the way we work.

Contributing to our long-term objectives

Reliance on big data and artificial intelligence is a strategic response to IT innovation trends that are shaping innovative service to customers and efficient governance in the financial services industry today.

By basing our decisions on data, we enhance our management of resources which in turn drives our timely response to our customer's needs and contributes to a well governed institution.

Primary UNSDGs

Trade-offs

- Our ability to access unique human, intellectual & technical skills to drive our data journey requires significant investment of financial capital.
- Implementing systems and processes with significant investments and embedding related data driven decision making in everything we do.

Improve performance management

Why it matters most

What gets measured gets done. We are keen to create a link between our business growth and the performance delivery of our staff at an individual and corporate level. This is part of the cultural change we seek to drive through our renewed human capital practices that we are confident will drive the Bank forward.

Related material matters

Capitals employed

Resource allocation

We introduced a robust and transparent performance management process and continue to train our staff on changes that drive this initiative forward.

Contributing to our long-term objectives

We trust that the performance of our people drives the execution of our long-term objectives

Primary UNSDGs

Trade-offs

- Significant organization change causes disruption in the short term as we challenge old ways of work and restructure for a growing bank.

Improve employee engagement and development

Why it matters most

As a bank we serve a very diverse client base that mirrors the ordinary Ugandan. Our staff's voice in driving the Bank matters for they provide the daily solutions to our customers therefore we strive for constructive and deliberate engagement with our staff. In addition, It is important to us to design and provide structured paths of professional growth to our staff.

Related material matters

Capitals employed

Resource allocation

As we renew our human resource practices, we shall continue to deploy the best minds and tools to engage with our staff on a regular basis. We have also charged our human capital mandate with developing predictable growth paths for our staff. This is a costly process but one that secures our social contract with our staff as they choose to grow their careers with us.

Contributing to our long-term objectives

An engaged, skilled workforce drives achievement & execution of our short-, medium- and long-term goals.

Primary UNSDGs

Trade-offs

- Significant organization change causes disruption in the short term as we challenge old ways of work and restructure for a growing bank.
- We have committed significant financial resources to our training and development programs in the short, medium term to enable this change

Attract talent to the Organisation

Why it matters most

Talent deployment is a key enabler to compete favorably in the financial services industry globally. Historically this is one PostBank's weaknesses. Fast changing consumer behavior buoyed by emerging technology & non-traditional competition for customer's deposits and business needs means that we must think differently about the type & quality of our staffing needs in order to deliver our strategy.

Related material matters

Capitals employed

Resource allocation

We have reviewed & revamped our renumeration practices and policies to ensure that we attract the best talent for roles we deem strategically important to our business. We have developed a credible graduate trainee program to grow emerging talent in a structured environment.

Contributing to our long-term objectives

A ready-made workforce ensures the long-term sustainability of our service delivery and execution of our strategy. The long-term success of the Bank depends on its capacity to attract, retain, and develop employees who can ensure its growth on a continuing basis.

Primary UNSDGs

Trade-offs

- The war for talent acquistion, development and retention is disruptive but necessary for our organsational transformation. We have clarified our talent selection processes and developed a clear value proposition for staff that fall in that bracket.

Enforce service delivery and excellence

Why it matters most

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.

Related material matters

Capitals employed

Resource allocation

We invested in creating a 24 hour/7 day a week multipurpose call center – a first of its kind at PostBank Uganda. We reviewed our process flows and centralized our loan disbursement in order to create a uniform experience for our repeat borrowers.

Contributing to our long-term objectives

Satisfying our customer's needs central to our purpose as a business and corporate citizen. our goal is to offer convenience, speed, reliability, and good experience to all our customers regardless of touchpoint used.

Primary UNSDGs

Trade-offs

- Long term investments in our processes, technology, and people to provide seamless service experience to our clients requires upfront capital outflows.
- In the short-term temporary customer service disruptions are inevitable as we change, innovate, and implement new processes for a varied and unique customer base as well as other important stakeholders.
- Investments in the look and feel of our branch network requires significant financial capital.

Obtain accreditation from the PPDA on several procurement processes

Why it matters most

All government owned institutions must comply with the provisions of the Public Procurement & Disposal Act (PPDA). However, these provisions for public procurement are detrimental to a bank organization like ours that operates in the private sector-oriented industry like financial services.

Related material matters

Capitals employed

Resource allocation

In partnership with other Government of Uganda owned financial institutions we have collectively proposed a procurement policy for these entities to the PPDA.

Contributing to our long-term objectives

The value inputs that drive competitiveness in the financial services industry are wholly procured and therefore their efficient acquisition is a key lever for survival of the Bank in the long term. This policy revision and accreditation will level the ground with our private sector competitors as regards procurement practices.

Primary UNSDGs

Trade-offs

- Senior management time spent coordinating diverse teams across four Government owned financial institutions.

Develop Corporate Social Responsibility (CSR) programs

Why it matters most

While our business model inherently creates societal value, it is important that we develop a formal philanthropic approach to engage with the diverse communities in which we operate across the country. We recognize that these community interventions are our social obligation to the disadvantaged and further confirms our standing as an involved corporate citizen.

Related material matters

Capitals employed

Resource allocation

Through our policy framework, we have committed a specific annual financial amount to our corporate social responsibility programs in the following areas.

1.Health.
2.Environment.
3.Social enterprise & development.
4.Education & sports.
5. Financial literacy and skills enhancement.

Contributing to our long-term objectives

Our clients are MSMEs who are deeply involved in the communities in which their businesses thrive and grow. Therefore, our community involvement in activities they care about draws us closer to our targeted customer base through these CSR programs & partnerships.

Primary UNSDGs

Trade-offs

- Financial capital & dividends to our shareholders from the Bank's retained earnings.


#GetEmpowered
Stay in control of your
finances with PostApp
Simple | Reliable | Convenient
LOAN REQUEST
BANK TO WALLET
CARDLESS WITHDRAWAL
BILLS PAYMENT
FUND TRANSFER
CHECK STATEMENT
BALANCE ENQUIRY
MOBILE MONEY WALLET
PostApp is now available on
Google play
Download on the App Store
Scan code here to download

Our Strategy Scoreboard – unpacking our progress.

Status outcomes	Positive outcome ✓	Negative outcome ✗	In progress ✓
Value indicator	Value preserved =	Value created +	Value eroded −

see table 4

Performance.

Strategic objectives	Priorities for 2022	Key deliverables	Status outcome	Value indicator	
Strengthen the distribution network	Grow the branch network countrywide.	Open 5 new branches	✓	=	
		Percentage of Tier 1 branches (40%)	✓	=	
		Percentage of Tier 2 branches (30%)	✓	=	
	Grow the Bank's agent Banking network countrywide.	Number of Agents enrolled	✓	=	
		Percentage of active Agents	✓	=	
Lead the way in Agribusiness financing	Lead the way in financing the mechanization, agro-processing, storage and logistics agricultural value chains in the cattle, poultry, coffee, and grain agricultural sub-sectors by 2025.	Percentage of loan book advanced to support mechanization, agro-processing, storage and logistics agricultural value chains in the cattle, poultry, coffee, and grain agricultural sub-sectors.	✓	=	

	Actual			Notes	Future priorities	Expected outcomes
	2022	2021	2020			
	4	2	0	• We opened Forest mall and Kyazanga branches in 2021. Ibanda, Ishaka, Nsangi and Kireka were opened in 2022.	• Grow the branch network to 70 branches in 2025.	• Enable the Bank to serve individuals and businesses in hard-to-reach areas.
	33.0%	22.0%	N/A			
	20.0%	24.0%	N/A			
	525	414	N/A		• Grow the agent network to 2,000 agents with a rural to urban ratio of 2:1	
	79.3%	N/A	N/A		• Obtain a payment service provider license from the BoU.	
	13%	N/A	N/A		• Ensure 35% of the loan book is advanced to support mechanization, agro-processing, storage and logistics agricultural value chains in the cattle, poultry, coffee, and grain agricultural sub-sectors.	• Provision of financial products tailored to the agricultural value chains and sub sectors. • Strategic partnerships with key associations supporting the subsectors and value chains.

Governance & Risk

Strategic objectives	Priorities for 2022	Key deliverables	Status outcome	Value indicator
Reinforcing risk management	Attain an overall acceptable internal and external risk and compliance rating.	An acceptable internal risk rating.	✓	+
		Achieve a satisfactory BOU on-site risk rating.	✓	=
		Achieve a satisfactory BOU off-site risk rating.	✓	=
	Ease storage and retrieval of customer documentation.	Implement Document Management System.	✗	−
		Centralization of records in an offsite location.	✓	=

	Actual			Notes	Future priorities	Expected outcomes
	2022	2021	2020			
	Acceptable	Needs improvement	Unsatisfactory	We continue to improve and have put in place strategies to achieve a "Satisfactory" risk rating by 2025.	• Proactively drive closure of regulatory findings, Internal Audit findings and risk review and investigation findings.	• Achieve an "acceptable" overall risk rating.
	Fair	Unsatisfactory	Unsatisfactory			• Achieve a "Satisfactory" offsite and onsite BoU regulatory rating.
	Fair	Unsatisfactory	Unsatisfactory			• Achieve a "Satisfactory" offsite and onsite BoU regulatory rating.
	Not started	Not started	N/A	• The implementation of the Document Management System was rolled over to 2023.	• Roll out a document management system and centralization of records.	• All customer related documents centrally stored.
	Partially achieved	Not started	N/A	• The physical archival storage space is currently being setup and due for completion in 2023.	• The physical archival space operationalized.	

Technology

Strategic objectives	Priorities for 2022	Key deliverables	Status outcome	Value indicator	
Strengthen Cyber Security	Attain a low threshold of unauthorized systems access and enhance systems security management.	Deploy a privileged access management system.	✓	+	
	Strengthen enterprise controls to increase resilience & protect the Bank from cyber security risks.	Achieve a system security exception rate of less than 2%.	✓	+	
Improve efficiency, productivity, and service quality	Upgrade the ATM switch to reduce complexity and improve efficiency.	Complete phase 1 of the ATM Switch Upgrade.	✓	+	
	Upgrade the Core Banking System (CBS) to efficiently serve customers.	Core Banking System (CBS) upgrade implemented.	✓	+	
		Number of customers served.	✓	=	
	Simplify the customer onboarding journey and improve customer onboarding turnaround time.	Launch automated account opening system.	✗	−	
		Average end to end turnaround time at customer onboarding.	✗	−	
Enhance and transform Data Analytics	Develop business intelligence tools that generate insights to drive business growth & data driven decision making.	Operationalize & deploy Data Warehouse.	✓	+	
		Deploy business intelligence tools.	✗		
Improve technology systems service availability.	98% uptime of all critical Bank technology (I.T) servers and applications.	Average uptime of all critical Bank I.T. servers	✓	+	
		Average uptime of all critical Bank I.T. applications.	✓	+	

	Actual			Notes	Future priorities	Expected outcomes
	2022	2021	2020			
	0	0	N/A		• Certify with ISO27001. • Achieve a Recovery Time Objective of less than 1 hour.	A secure online environment for our growing customers.
	0%	53%	N/A			• System security exception rate of less than 2%
	N/A	N/A			• Integrate with VISA for acquiring at PostBank ATMs.	A higher transaction success rate which is vital to our customer experience.
	Upgrade successfully delivered in April 2022.	Delayed execution due to procurement related bottlenecks.				A robust customer service-oriented Core Banking System.
	772,651	710,104			• Customer onboarding & acquisition.	• 2M+ customers served by 2025.
	N/A	N/A	N/A	• The automated account opening system will be launched in 2023.	• Successful implementation of automated & centralized account opening.	• Improved customer service.
	N/A	N/A	N/A			• Improved customer onboarding turnaround time.
	Delivered	Not delivered	Not delivered		• Rollout of a data literacy program in 2023.	• Value driven data governance. • Prioritize data-driven decision making.
	Not delivered	Not delivered	Not delivered			
	99.6%	99.4%	N/A	Historically, uptime of our channels has been a regular complaint from our MSME & personal customers.	Stable network availability that supports the Bank's digital agenda.	A minimum expected uptime of 98% across all critical Bank branch networks, servers, and applications.
	99.5%	99.3%	N/A			

People

Strategic objectives	Priorities for 2022	Key deliverables	Status outcome	Value indicator
Improve performance management	Boost the overall performance of employees.	Average percentage of employees that achieve an appraisal score of 80% and above.	✓	+
Improve employee development and engagement	Create structured paths for career development, reduce regrettable employee attrition & provide a voice for our employees in management decision making.	Voice of Employee survey (VoE) conducted, and employee engagement measured (percentage).	✓	=
		Percentage regrettable attrition rate of 5%.	✗	–
		A talent management program developed and rolled out.	✗	–
Attract talent to the organization	Create a graduate management trainee program to attract fresh graduates with high potential annually, to be developed and groomed to support the growth of the Bank.	Number of graduate trainees hired (and retained).	✓	+

	Actual			Notes	Future priorities	Expected out-comes
	2022	2021	2020			
	85%	71%			• Improve and digitize learning materials. • Improve productivity tracking and performance management.	• Increased employee productivity.
	N/A	76.34%	N/A	• The Voice of Employee survey will be conducted in 2023.	• Implement a Leadership Development Program. • Conduct the Voice of the Employee Survey and measure employee engagement. • Implement the programs identified through the previous VoE survey. • Roll out the talent management program.	• Achieve an employee retention rate of 95%. • Achieve an employee engagement score of 90%.
	7.1%	N/A	N/A			
	Not delivered	Not delivered	Not delivered	• The talent management program is to be rolled out in 2023.		
	58(53)	57(37)	0	• We rolled out a graduate trainee program in 2021 and it has created a skilled resource pool for the Bank through trainees that are expected to thrive in banking.	• Increased retention of graduate trainees.	• Increased employee productivity.

Service

Strategic objectives	Priorities for 2022	Key deliverables	Status outcome	Value indicator
Enforce service delivery and excellence	Improve loan end to end turnaround time (TAT) to serve more customers effortlessly.	An average turnaround time of 1 day for unsecured personal loans.	✗	−
		An average turnaround time of 14 day for secured personal loans.	✗	−
Enforce service delivery and excellence	Improve complaint management to enhance the customer experience and extend the customer lifecycle.	Average resolution rate of internal complaints received in 48 Hrs. of 80%.	✓	=
		Average resolution rate of external complaints received in 48 Hrs. of 80%.	✗	−
Obtain accreditation from PPDA on several procurement processes	Obtain accreditation from the Public Procurement and Disposal of Public Assets Authority (PPDA) on various processes to improve efficiency.	Number of procurement processes accredited by the PPDA.	✓	+
	Create and operationalize a procurement policy specific to public financial services institutions to support efficiency.	An operationalized Public Financial Services procurement policy fully accredited by PPDA.	✓	=
Develop Corporate Social Responsibility (CSR) programs	Conduct CSR programs annually that maximize shared value amongst the Bank's, employees, customers, shareholders, and community members.	Number of CSR activities conducted.	✓	+

	Actual			Notes	Future priorities	Expected out-comes
	2022	2021	2020			
	Not delivered	Not started	Not started	Delayed because we could not reliably measure loan TAT across our vast network. We have therefore prioritized this endeavor in the future.	• An online loan origination system. • Centralization of loan disbursements.	• Timely and effortless customer service to our largely time sensitive MSMEs clientele.
	Not delivered	Not started	Not started			
	68.75%	56%	N/A	• We implemented a robust customer management system to aid complaint resolution and compliment the customer contact center the Bank opened in 2021.	• Implement a self-care customer complaints management portal.	• Increased customer satisfaction and loyalty.
	53%	56%	N/A		• Enhance the customer contact center to operate on a 24hour basis – 7 days a week.	
	26	26	N/A		• Obtain accreditation of the Public Financial Services Procurement policy.	• Improved efficiency in procurement.
	In progress	-	-	Government of Uganda owned Financial Institutions delivered a financial services sector specific draft policy proposal to PPDA for accreditation in 2022.		
	1	2	N/A		• Engage in CSR activities that are sustainable and positively impact our stakeholders.	• Creating a sustainable impact to the Bank's stakeholders.

6 VALUE CREATION

Value Creation

Financial Capital

Financial capital, also referred to as "capital" or "equity", encompasses economic resources that include credit, and various other types of funding. These resources contribute to the accumulation of wealth within PostBank and generate value for our stakeholders.

Sustainable value creation through financial capital

Our approach

Our approach to financial capital is reinforced by our strategy. We intend to include the financially excluded through our MSME's and Agricultural focused lending products. We are deliberate about ensuring that we maximize the deployment of our capital towards lending as opposed to investments in Government and other securities.

We consistently consider how we raise, control, administer, deploy, and report on our finances, while taking into account the risks, rewards, and costs all while seeking to maximize profitability and ultimately value.

Our capital allocation is governed by a comprehensive capital allocation strategy framework through our various ALCO focused Board and management committees that ensure we maintain adequate capital resources. These activities ensure that we are able to sustainably grant loans, fund our projects, build/acquire manufactured assets, invest in training and technology, and give back to the community.

Key inputs

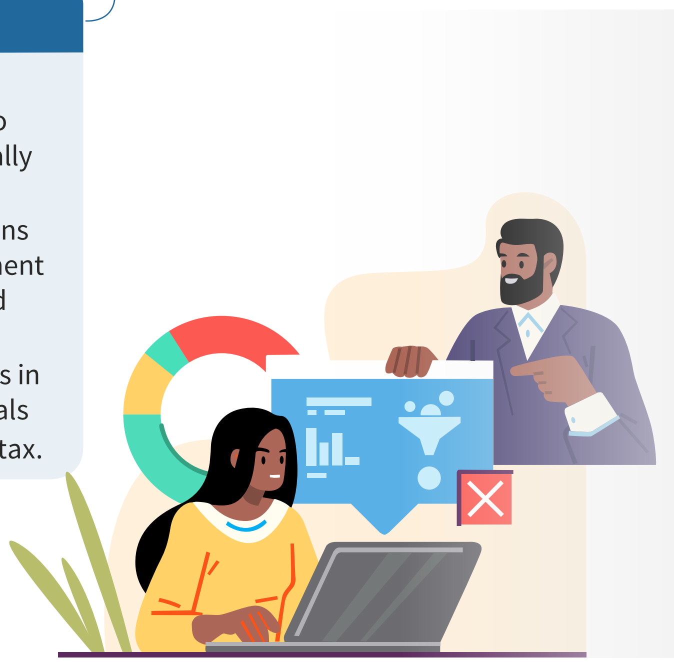
- Share capital and reserves (2022: UGX 113 Bn).
- Customer deposits (2022: UGX 689 Bn).
- Long and short-term borrowings (2022: UGX 65 Bn).
- Cash and cash equivalents.

Key outputs

- Loans and advances to the financially excluded.
- Contributions to Government in taxes and dividends.
- Investments in other capitals
- Profit after tax.

Strategies to enhance value

- Capital investments that put us in position to offer affordable and sustainable financial services that drive financial inclusion for social and economic development.
- Sustainable financial stability.



What financial capital means to PostBank

Our financial capital includes customer deposits, debt, and shareholders' equity. The pool covers the long-term funds available to us to engage in banking business activities and infrastructure investments including equity funding, retained earnings, and debt that satisfy qualifying conditions.

We see the management of our financial capital as a critical determinant of achieving our strategy.

Value created

- Suitable return on investment for Shareholder and provides of capital.
- Value created for our broader stakeholders through enhanced financial inclusion.

Key challenges in 2022

- Raising capital to meet upcoming BASEL II minimum capital requirements.
- Rising credit impairments driven by lag effects of covid 19 on the economy.
- Rising inflation- Imported inflation on commodities driven by geopolitical matters related to the Ukraine/ Russia conflict.

Key Opportunities in 2022

- Reduced cost of capital: Upgraded core banking infrastructure enabled retention and growth of low-cost deposits.
- Positioning as Governments preferred commercial bank for improved profitability.
- Authorized share capital increased to UGX 500 Bn by shareholders.
- Monetary policy: Stable Central bank rate aimed at promoting economic growth.

Material Matters

Related stakeholders

Short to medium term strategic priorities

Score card

- **Interest income growth** 7.3% (2021: 22.3%)
- **Interest income** UGX 125 Bn (2021: 117 Bn)
- **Cost to income ratio** 77% (2021: 78%)

Linkage to other capitals

Investing in learning and development for improved employee skills and efficiency.

Financing our employee abilities and band image bolsters

We create and preserve value for our communities through supporting CSR initiatives.

We revamped our branches and opened in new locations.

Our asset base continues to grow through investments in both physical and digital infrastructure.

Contribution to SDG's

Training and development provide employees with education and equal opportunities that will bring about true social economic development and better living standards in the community.

Funding both digital and physical infrastructure supports innovation in products and services.

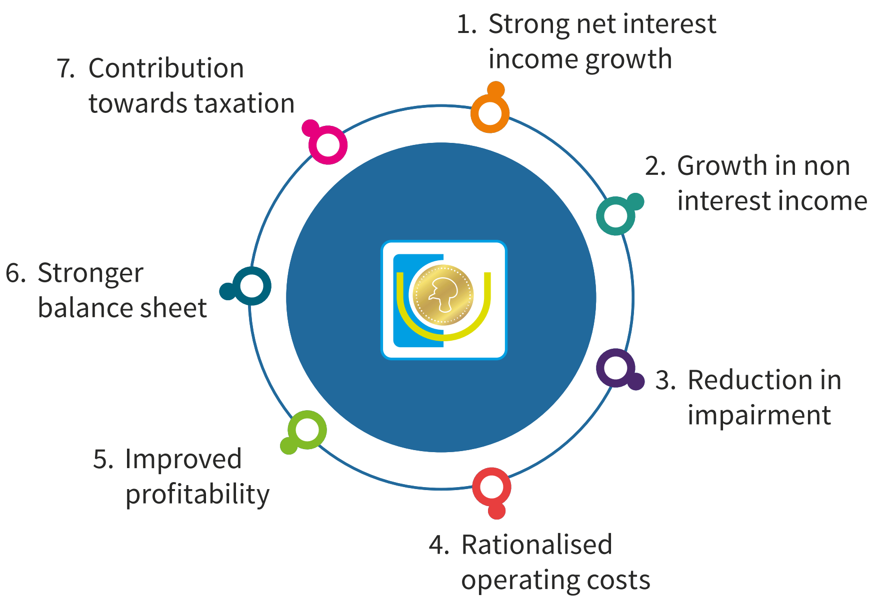
Trade Offs

	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L
Investing in physical infrastructure																		
Financial capital deployed	▼	▲	▲	▬	▬	▬	▲	▲	▲	▬	▲	▲	▲	▲	▲	▬	▬	▬
Increase in distribution network	▼	▲	▲	▬	▬	▬	▲	▲	▲	▬	▲	▲	▲	▲	▲			
New systems and equipment	▼	▲	▲	▬	▬	▬	▲	▲	▲	▬	▲	▲	▲	▲	▲			
Natural resources deployed																▬	▲	▲
Customer satisfaction										▬	▲	▲						
Investment in people																		
Financial capital deployed	▼	▲	▲	▲	▲	▲	▲	▲	▲									
Learning and development	▼	▲	▲	▲	▲	▲	▲	▲	▲									
Engagement and loyalty				▲	▲	▲												
Investment in skills development																		
Financial capital deployed	▼	▲	▲	▲	▲	▲	▲	▲	▲		▲	▲						
Staff productivity	▼	▲	▲	▲	▲	▲	▲	▲	▲		▲	▲						
Innovations in products and processes	▼	▲	▲	▲	▲	▲	▲	▲	▲		▲	▲						
Investment in communities																		
Financial capital deployed	▼									▲	▲	▲						
Impact on social and relationship capital	▼									▲	▲	▲						
Positive impact on environment																▲	▲	▲

S - Short-term M- Medium -term L – Long term

▲ Value increase ▼ Value decrease ▬ Value preservation

Drivers of Sustainable Value Creation



	2018	2019	2020	2021	2022
Income statement (Bns)					
Profit before income tax	5.5	12.6	15.2	17.6	**20.5**
Profit after tax	3.5	8.4	10.1	12.2	**15.2**
Financial position (Bns)					
Shareholders' equity	74	87	101	117	**136**
Total assets	398	491	675	745	**947**
Loans and advances to customers	253	267	335	455	**480**
Property and equipment	38	49	57	71	**93**
Customer deposits	294	348	449	507	**689**
Returns and ratios (%)					
Return on equity	5%	10%	10%	10%	**11%**
Return on assets	1%	2%	1%	2%	**1.6%**
Net loans to deposit ratio	86%	77%	75%	90%	**70%**
Cost to income	87%	85%	79%	78%	**77%**
Capital adequacy (%)					
Tier 1 capital ratio	21%	22%	21%	18%	**20%**
Tier 1 + Tier 2 capital ratio	23%	24%	22%	20%	**21%**
Other information					
Number of employees	951	936	947	1,045	**1,099**

Our Chief Finance Officer's Review

Peter Ssenyange.
Chief Finance Officer.

Financial overview

24% Profit after tax UGX 15.2 Bn	8% Net Revenue UGX 133.9 Bn
27% Total Assets UGX 946.6 Bn	36% Customer Deposits UGX 689.1 Bn
5% Customer loans & Advances UGX 479 Bn	2.8% NPL ratio 7.5% (2021: 10.2%)
1% Cost to income ratio 77% (2021: 78%)	0.7% Return on Equity 11.2% (2021: 10.4%)

> "The residual effects of the Covid-19 pandemic continued to plague global economies and were reinforced by the war in Ukraine that destabilized global food and energy supply.

Macroeconomic synopsis

2022 was characterized by a series of severe and widespread economic shocks. The residual effects of the Covid-19 pandemic continued to plague global economies and were reinforced by the war in Ukraine that destabilized the global food and energy supply. Surging inflation and debt tightening compounded the situation and resulted in projections for decelerated world output growth.

The Ugandan economy was not immune to global pressures and sustained several shocks in 2022. However, post covid recovery boosted by the trade, construction and the real estate sectors and an increase in investments largely in the oil and gas sector increased employment and reinforced domestic demand before lending rates rose following a tighter monetary policy stance in June 2022. Inflation eased in the last quarter due to lower international commodity prices and a tight monetary policy.

GDP growth is expected to recover to 5.7% during FY 23. Sectors like education and tourism remain susceptible to shocks. The economy grew by 5.3% in FY 2022/23, an increase from 4.6% growth in FY 2021/22 driven by recovery in the agricultural sector and resilience of the services sector.

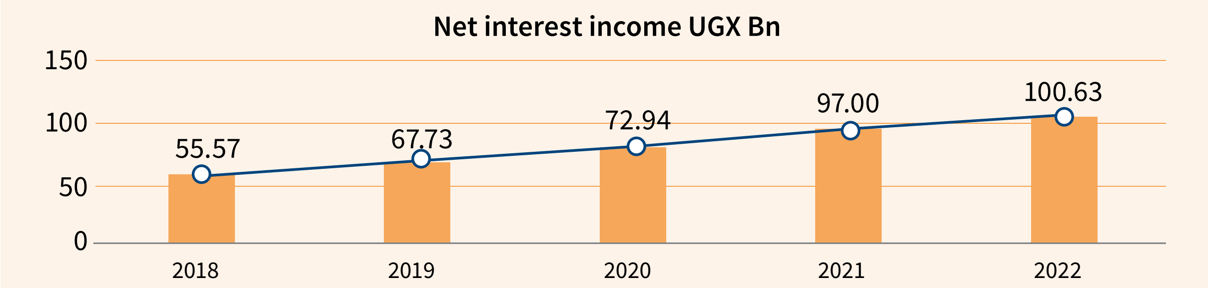
Summarized income statement (Bn)

	FY 2021 UGX	FY 2022 UGX	Year on year growth (%)
Interest income	117.3	**125.92**	7.3
Interest expense	(20.3)	**(25.29)**	24.5
Net interest income	**97**	**100.63**	**3.7**
Non funded income	27.19	**33.34**	22.6
Total income	**124.19**	**133.97**	**7.9**
Loan loss provision	(9.48)	**(10.72)**	13
Staff expenses	(45.88)	**(49.79)**	8.5
Operating expenses	(51.18)	**(53)**	3.6
Total costs	**(106.54)**	**(113.51)**	**6.54**
Profit before tax	**17.65**	**20.46**	**15.92**
Tax	(5.41)	**(5.30)**	2.0
Profit after tax	**12.24**	**15.16**	**23.9**

PostBank staff pose for a photo at the FiRe awards. The Bank received a standing ovation for greatly improving on its integrated reporting

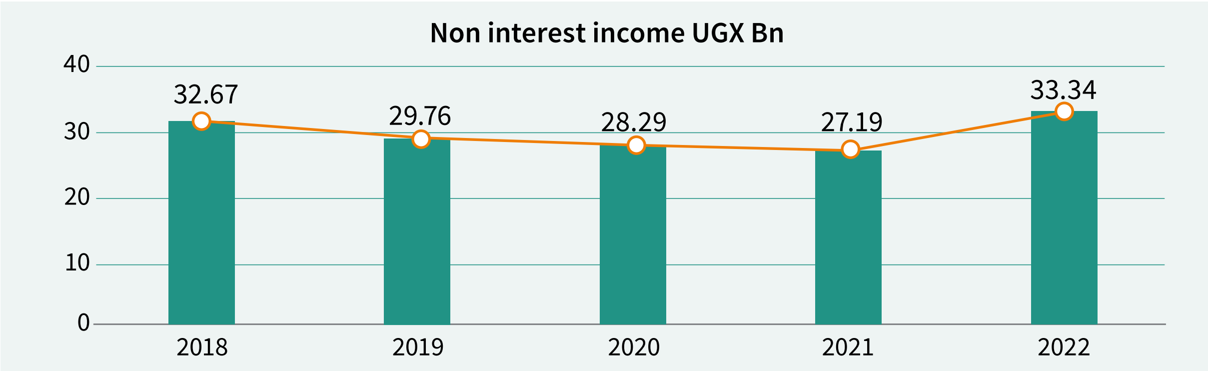
1. Strong net interest income growth

Our focused lending to non covid affected sectors of the economy paid off over the last 2 years. Net interest income grew by 3.7 % to UGX 100.6 Bn (2021: UGX 97.0 Bn). This was due to the growth in the loan book (5.4%) from UGX 456 Bn to UGX 480 Bn. Interest expense increased by 24.5% to UGX 25.29 Bn from UGX 20.32. This was due to the 36% growth in customer deposits from UGX 507 Bn to UGX 689 Bn due to strong deposit mobilization initiatives and the impact of new regulation that requires interest payments on mobile money customer deposits.



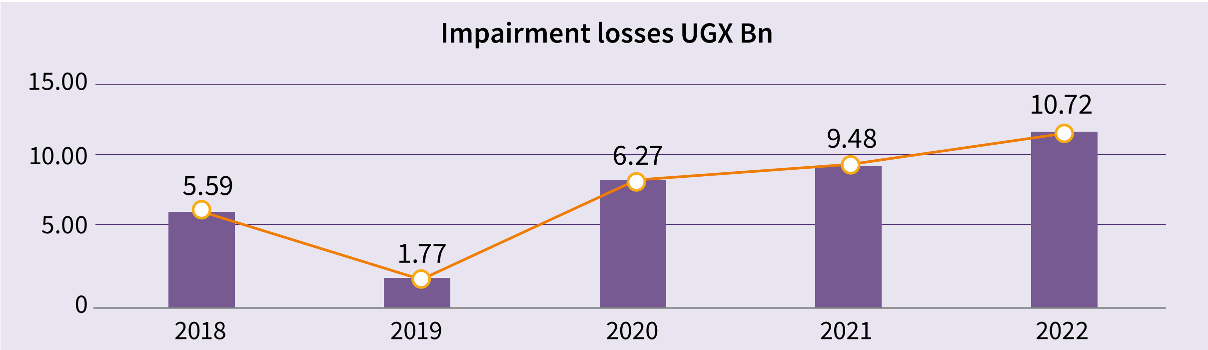
2. Growth in non-interest income

Our non-funded income encompasses fees and commissions from savings account maintenance and transaction related charges including foreign exchange income. We also extend services to partners and in turn earn commissions from the performance of partner contract obligations. Non funded income grew by 22.6% from UGX 27.19 Bn in 2021 to UGX 33.34 Bn in 2022. We continue to focus on creating a great customer experience by improving our infrastructure, core banking system and ATM distribution.



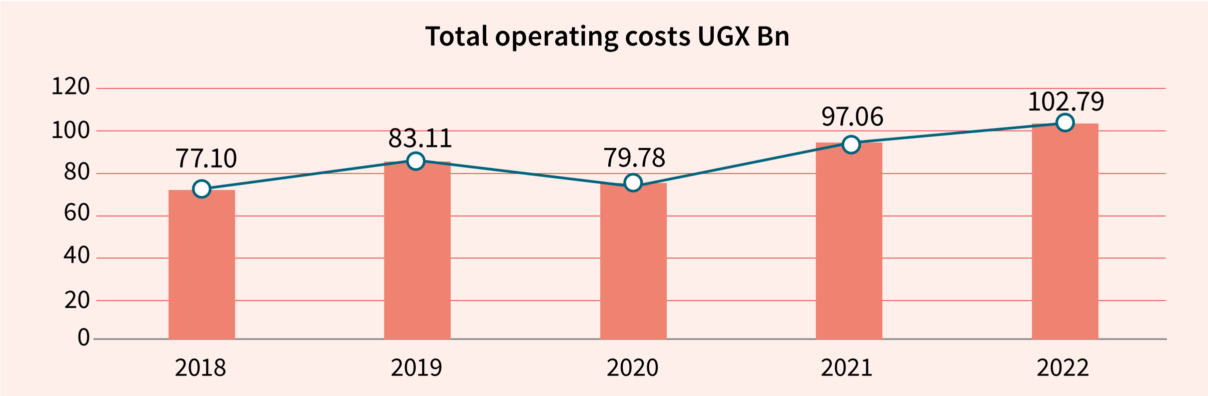
3. Reduction in impairment

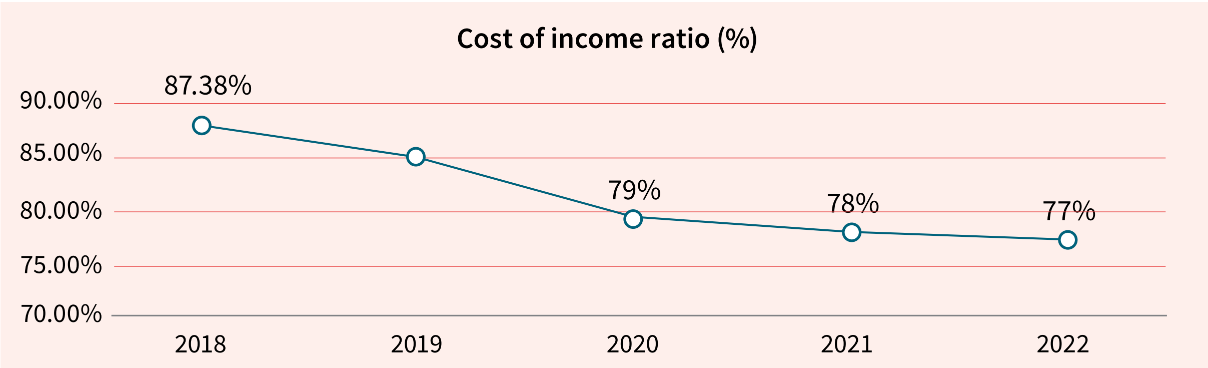
Uganda's banking sector is set to be adversely affected by the COVID-19 pandemic due to the slowdown in economic activity and its adverse impact on the financial condition of households and businesses in the next few years. Consequently, our credit impairments grew year on year by 13% between 2021 and 2022 and the trend is expected to persist as the economy fully recovers from actual covid aftereffects.



4. Rationalized operating costs

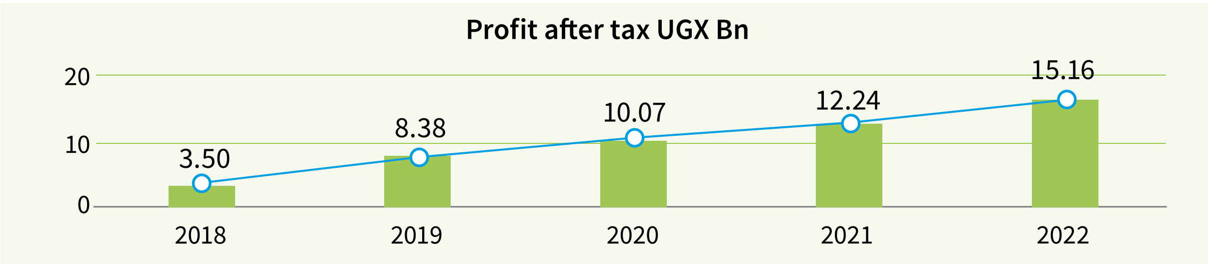
Our operating costs have predictedly risen over the last three years as we continue our transformation journey, improve our infrastructure and invest in our human capital. However we are pleased that our integrated actions are matched by a growth in our income leading to a downward trend on our cost to income ratio.

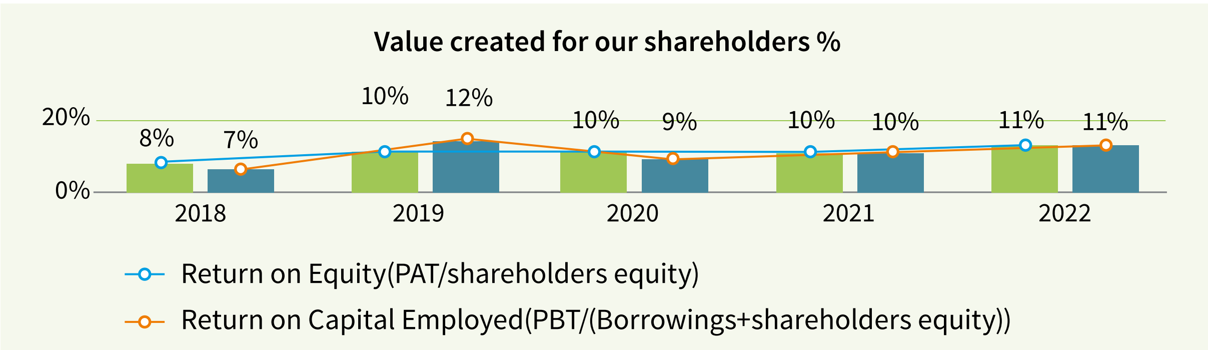




5. Improved profitability

Our growth in profitability over the last five years is driven by our focus on diversifying our channels and distribution network to suit client needs as well as the productivity of our staff. Our outlook in the future is firmly hinged on our ability to innovately serve the unbanked population.





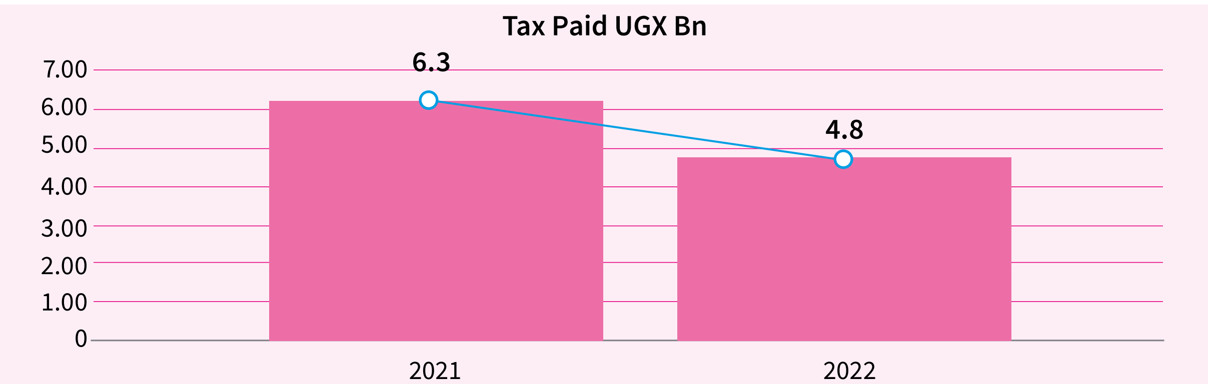
6. Stronger balance sheet

A strong balance sheet means we can bring more affordable financial services to our customers while keeping sound risk management practices in place to guard against capital erosion. Our focus on partnerships grew our deposit base by 35.8% between 2021 and 2022 and provided a stable plateform for cheaper lending options for our clients in the future. We also expanded our business with Government of Uganda supporting various programs in line with NDP III." We are confident our capital plan will see us balance the new capital requirements and our growth ambitions into the future.

Statement of Financial Position	2018 UGX(bn)	2019 UGX(bn)	2020 UGX(bn)	2021 UGX(bn)	2022 UGX(bn)	YoY UGX(bn)	YoY Mvt %
Assets							
Cash and balances with Bank of Uganda	20.2	27.5	31.5	42.0	99.3	57.3	136%
Debt instruments	15.3	15.5	48.1	30.8	156.9	126.1	410%
Loans and advances to banks	48.6	113.9	180.4	129.6	102.3	(27.3)	-21%
Loans and advances to customers	252.7	267.1	334.7	454.9	479.5	24.6	5.4%
Intangible assets	3.2	3.4	5.5	5.8	12.7	6.9	117%
Right-of-use assets	1.6	11.1	21.9	23.9	25.8	1.9	8%
Other assets	17.8	15.3	18.4	14.4	13.4	1	-7%
Contract assets	2.9	2.5	4.4	2.6	2.5	0.1	-1%
Property and equipment	35.1	34.3	29.7	41.4	54.3	12.9	31%
Total assets	**397.4**	**490.6**	**674.6**	**745.4**	**946.7**	**201.3**	**27%**
Liabilities							
Customer deposits	294.0	347.6	449	507.3	689.1	181.8	35.8%
Amounts due to other banks	1.5	2.1	1.2	2.0	11.9	9.9	505%
Tax liability	0.9	0.1	2.5	0.9	0.8	(0.1)	-14%
Deferred income tax liability	1.1	1.4	0.9	1.7	2.3	0.6	35%
Borrowings	5.2	17.0	63.2	63.9	53.2	(10.7)	-17%
Grants	10.0	12.3	3.9	1.7	1.2	(0.5)	-29%
Other liabilities	10.6	23.3	52.4	50.7	52.6	1.9	4%
Total liabilities	**323.3**	**403.8**	**573.1**	**628.2**	**811.1**	**182.9**	**29%**
Shareholder's equity							
Share capital	66.2	71.5	76.0	98.0	113.6	15.6	16%
Revaluation reserve	3.6	11.8	3.3	3.1	3.0	(0.1)	-5%
Regulatory credit risk reserve	-	-	0.7	3.4	-	(3.4)	-100%
Retained earnings	4.4	3.4	21.3	12.6	19.1	6.5	51%
Total Shareholder's equity	**74.2**	**86.7**	**101.3**	**117.1**	**135.7**	**18.4**	**16%**

7. Contributions towards taxation

During the year, we contributed UGX 4.8 Bn (2021: 6.3 Bn) towards the development of Uganda through direct taxation. We remain committed to paying even higher taxes in future periods by delivering sustainable profits.



Outlook for 2023 and beyond

- Simplify technology to improve uptake and trust in new technology.
- Optimize our new and upgraded systems to be able to meet our customer's needs better, faster, and cheaper through additional channels.

- Expand distribution network to at least 70 branches countrywide.
- Enhance our digital banking solutions.
- Continue to enhance security and operational efficiency.

- Maintain a healthy balance between growth and risk mitigation in our balance sheet.

Manufactured Capital

Manufactured capital refers to infrastructure (physical, material, and technological objects) that are either, owned, leased, or controlled for use in the delivery of products and services to our customers.

Sustainable value creation through manufactured capital

Our approach

Our belief is that effectively managing our manufactured capital enables us to offer superior customer service by providing easy access to banking services through well-designed self-service channels, which result in enhanced customer satisfaction.

To this end, we have invested in new branch locations and improved existing locations to enhance operational efficiency, cost efficiency, and the profitability and sustainability of PostBank. We evaluate all investments in manufactured capital on the value they offer in achieving the Bank's strategic objectives.

Key inputs

- Intangible assets – UGX 12.6 Bn. This includes our digital infrastructure, virtual touch points and digital channels.
- Property and equipment – UGX 54.2 Bn.
- Right of use Assets (leases) – UGX 25.8 Bn.
- Property and equipment and Right of Use Assets include our physical infrastructure and touch points.

Key outputs

- 58 branches
- 14 mobile vans
- 525 PostAgents
- 59 ATM's
- 51 ATM recyclers
- ICT systems and platforms
- 1 Fully solar powered branch.

Strategies to enhance value

- Ensure optimum maintenance of infrastructure.
- Engage in integrated capital projects for cost reduction.
- Expand digital infrastructure to enrich customer experience.
- Maintain sound balance between opening physical branches and increasing access to digital channels.
- Strengthen information security.

What manufactured capital means to PostBank

Our manufactured capital encompasses all physical and digital infrastructure that supports us in effectively reaching our customers and achieving operational excellence and value creation.

Value created

- Business continuity.
- Reliable infrastructure.
- Operational efficiencies and improved productivity.
- Financial inclusion through digital transformation.

Key challenges in 2022

- Lengthy public procurement processes for technology providers.
- Information System Security maintenance.
- Shifting customer preferences.
- Heavy upfront financial capital investments and financial viability assessments.
- Tradeoffs on expanding geographically.

Key Opportunities in 2022

- Increase financial inclusion by providing additional channels to our potential customers.
- Enhance digital capabilities to bolster differentiation.
- Boost agility and responsiveness of PostBank to changing needs.
- Simplify technology to improve uptake and trust in new technology.

Material Matters | **Related stakeholders** | **Short to medium term strategic priorities**

Score card (Employee engagement)

Number of branches 58 (2021: 50)	**Number of mobile vans** 14 (2021: 14)	**Number of Agents** 525 (2021: 414)

Linkage to other capitals

Branch expansions promote brand visibility.

Sustainable improvements and implementation of new systems create new job opportunities, training, capacity expansion and value creation.

Digital infrastructure promotes strong links with customers and suppliers.

Digitalization limits our carbon footprint and increases our efficiency through reduced costs.

Increased efficiency reduces overall costs.

Contribution to SDG's

Provide easy access to banking services by expanding our distribution network.

Harness solar energy for branch energy needs.

Transform our products and services through investments in physical infrastructure.

Digital banking reduces our consumption of paper.

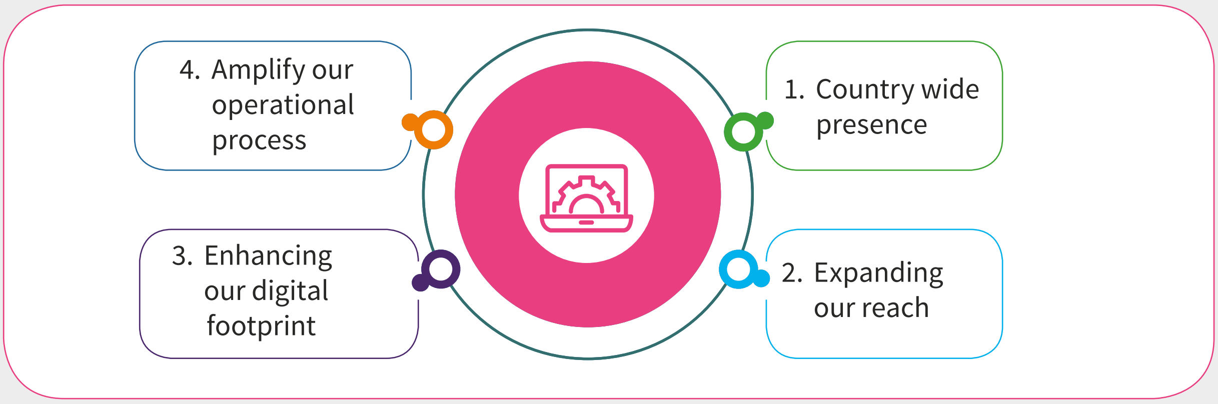
Trade Offs

	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L
Expanding our distribution network																		
Enhance customer convenience and accessibility	▼	▲	▲							▲	▲	▲						
Bring our services to the financially excluded	▼	▲	▲								▲	▲						
Investment in efficient infrastructure	▼	▲	▲											▲	▲		▲	▲
Expanding our digital footprint																		
Enhance customer experience	▲	▲	▲							▲	▲	▲						
Minimal paper-based processes 'paper light'	▲	▲	▲													▲	▲	▲
Improved operational excellence (short run)	▲	▲	▲								▲	▲						
Amplified operational process																		
Investment in digital infrastructure	▼	▲	▲					▲	▲	▲	▲	▲		▲	▲	▲	▲	▲
Efficiencies from improved operational processes	▼	▲	▲															
New skills and jobs	▼	▲	▲				▲	▲	▲									
Improved operational excellence (long run)			▲	▲	▲	▲				▲	▲	▲						
Existing jobs become redundant	▲	▲	▲															

S - Short-term M- Medium -term L – Long term

▲ Value increase ▼ Value decrease ● Value preservation

Drivers of Sustainable Value Creation

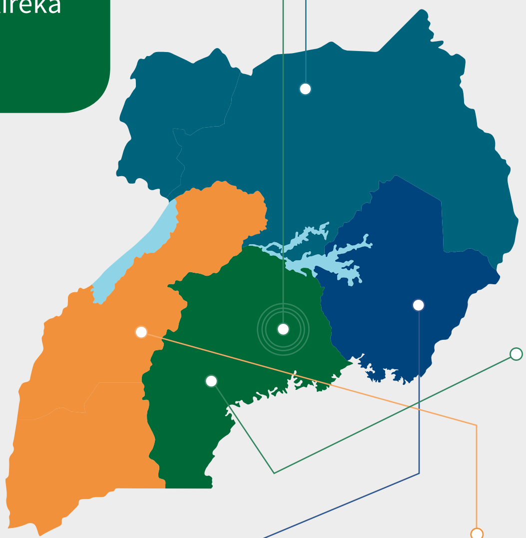


1. Country wide presence GRI 102-6 & 4

We have achieved extensive coverage of Uganda through our branch network that cater to every region. We can enhance financial inclusion by providing products and services closer to the financially excluded. Our footprint includes 58 branches, 1 cash collection centre, 3 contact centres, 14 mobile banking vans 'branch on wheels', 525 agents, and 59 Automatic Teller Machines.

KAMPALA CBD
1. City
2. Kampala Rd
3. Forest Mall
4. Ndeeba
5. Wandegeya
6. Makerere
7. Bugolobi
8. William St.
9. Usafi
10. Kireka

NORTHERN
1. Arua
2. Lira
3. Amolator
4. Lacor
5. Kitgum
6. Kamdini
7. Pakwach
8. Bweyale
9. Gulu
10. Anaka
11. Yumbe



GREATER KAMPALA
1. Entebbe
2. Masaka
3. Kayunga
4. Mubende
5. Nakasongala
6. Entebbe
7. Kakiri
8. Bombo
9. Mukono
1 0. Nsangi
11. Kyazanga

EASTERN
1. Mbale
2. Jinja
3. Kapchorwa
4. Soroti
5. Moroto
6. Iganga
7. Bukedea
8. Kotido

Manafwa – contact center

WESTERN
1. Mbarara
2. Ntungamo
3. Kasese
4. Fort portal
5. Kamwenge
6. Kanungu
7. Kabale
8. Ishaka
9. Masindi
10. Hoima
11. Ibanda
12. Rushere
13. Butogota
14.Bishop Stewart
15. Kagadi

Contact centers – Hima and Kihihi

2. Expanding our reach

In response to client behavior and our target market we commissioned new branches in the areas below during 2022.

S/n	Branch/location	region	Bringing our banking services closer to our people
1	Ishaka branch	Western	Business hub for the greater Bushenyi area.
2	Ibanda branch	Western	Emerging business hub along the cattle corridor.
3	Kireka branch	Central	Wakiso & kampala districts control 75% of Uganda's GDP. We serve SME clients in these areas.
4	Nsangi branch	Greater Kampala	Rapidly growing residential area with a thriving SME clientele.
5	Ntinda	Central	Wakiso & kampala control 75% of Uganda's GDP. We serve SME clients in these areas. Ntinda is pending regulatory approval before we open our doors to the public.
6	Kawempe branch	Central	Wakiso & kampala districts control 75% of Uganda's GDP. We serve SME clients in these areas.
7	Manafwa branch	Central	Expanding our footprint in the eastern part of the country.

UGX 2.5 Bn was spent on new branches in Ishaka, Ibanda, Kireka, Nsangi, Ntinda, Nansana, Bulenga, Kawempe and Manafwa.

We also revamped 8 branches below to enhance our brand as well as take care of the look and feel of these critical customer touch points.

We also revamped the branches below to meet customer needs;
City branch, William street, Bugolobi, Kampala road, Iganga, Mbale, Masaka and Masindi.

3. Enhancing our digital footprint

We understand that the banking industry is witnessing a continuous shift towards digitalization, as customers are becoming more digitally savvy in their banking activities. In line with this, we have made investments in self-service offerings, payment, and digital solutions, and strengthened our information security measures. The initiatives we have undertaken are detailed on page 124 of this report.

4. Amplify our operational process

Our commitment to upgrading our systems and processes enables us to stay ahead of the curve and prevent the erosion of value by promptly addressing customer needs and expectations in the digital age.

2022 our year of impact

John Paul Miiro
Head Change & Project Management Office

2022 was a year of impact for the Change and Project Management Office. We were able to deliver key strategic projects that have changed the way we work and serve our customers. Key among these was the Finacle Core Banking System upgrade which has enabled 24/7 processing, improved channel support while delivering enhanced security and operational efficiency. We were also able to go-live with the ATM Switch which boosted our ATM transaction traffic to 1.2M transactions and transaction success rate from 80% to 95%. The ATM Switch upgrade was also able to support the ATM Cash Recycler Deployment which in turn brought in 164K deposits totaling to over UGX 90Bn.

Other key highlights were the MTN Escrow Account Integration which also brought in deposits totaling to UGX 190Bn and the Data Warehouse for which the exceptional internal delivery team received the MD's award for Innovation and Creativity for improving reporting efficiency and processes while saving the Bank over UGX 115M. 2022 was a strong year and we believe that 2023 will be even stronger. While the future is impossible to predict, what we do know is that the Change and PM Office will continue to support the Bank's strategy and mission to drive financial inclusion for social and economic development.

KEY HIGHLIGHTS

BEFORE & AFTER

BEFORE

- Channel downtime during EOD processing.
- Limited modules and products.
- Revenue leakage.
- Limited security features.
- Costly end-of-life support fees.

Finacle UPGRADE

AFTER

- 24/7 Processing.
- Tier 1 Business enabler (STP, overdrafts, clearing).
- Revenue assurance.
- Single sign-on and two-factor authentication.
- Fully supported Finacle version.

BEFORE

- Average monthly transactions < 136k.
- Low transaction success rate < 80%.
- Limited functionality.
- Outdated security features.

ATM SWITCH

AFTER

- Average monthly transactions > 250k.
- High transaction success rate > 95%.
- Cardless withdraws, ATM Cash deposits, instant card issuing, offsite PIN reset.
- Enhanced cyber-security and risk managemeny.

BEFORE

- Information/Data Silos.
- Delayed reporting.
- Poor data quality.
- Inadequate recognizability and findability of data.

DATA WAREHOUSE

AFTER

- Single source of truth.
- Quick analytics of large volumes of data.
- Improved data quality.
- Increased recognizability and delivery of complex reports.

Outlook for 2023 and beyond

- Simplify technology to improve uptake and trust in new technology.
- Optimize our new and upgraded systems to be able to meet our customer's needs better, faster, and cheaper through additional channels.

- Expand distribution network to at least 70 branches countrywide.
- Enhance our digital banking solutions.
- Continue to enhance security and operational efficiency.

- Become a data driven Bank.

Human Capital

At PostBank, Human Capital includes the knowledge, skills and experiences of our people that enables innovative and competitive solutions for our clients.

Sustainable value creation through human capital

Our approach

Our philosophy is that the success of our business and the satisfaction of our customers hinge on effective engagement with our employees. As such, we place great importance on creating a positive work environment that fosters personal and professional growth for all PostBank staff.

Our commitment to values such as diversity, equal opportunity, fairness, health, and safety is reflected in our policies, standards, and guidelines.

We provide our employees with the necessary knowledge, training, and skills to excel in their roles and achieve career advancement. Our dedication to inclusiveness has resulted in a cohesive team culture that fuels innovation and high performance.

Key inputs

- Learning and development that supports critical skills.
- Effective performance management.
- Policies and procedures aligned with maximizing value.
- Progressive work environment that fosters succession.

Key outputs

- 5% increase in PostBank employees.
- Overall staff turnover maintained at 16%.
- Retention ratio increased by 8% to 83%.
- Young and agile staff (80% under 40 years old), average age of employees is 34 years.
- 12% of staff were promoted.
- 100+ Graduate Trainees, 4% already fast-tracked to leadership roles.

Strategies to enhance value

- Invest in employee development.
- Merit based promotions.
- Career development opportunities.
- Competitive employee benefit packages.
- Talent management.

Human capital at PostBank

In 2022, PostBank continued to deliver on its ambitious transformational strategy. Our People have been pivotal in creating the new PostBank and yet again rewriting our success story. We fervently believe that our core values of Passion, Integrity, Innovation and Teamwork define who we are and have remained at the core of our daily pursuits to serve our customers better and maximize shareholder value. We are proud of our people and how they continue to contribute to our success.

Value created

- Enhanced understanding of our customers and contribution to our business success.
- Implementation of our strategies to achieve our corporate goals.
- Generation of value even in the face of a dynamic and unpredictable environment.

Key challenges in 2022

- Inadequate human resource capacity.
- Significant organizational changes cause disruption.
- The war for talent.
- Enhance talent and performance management programs.

Key Opportunities in 2022

- Attract and retain the right skills to drive and execute our strategic goals.
- Build staff capacity through various training interventions.
- Create lean & effective organization structure in line with business strategy.

Material Matters | **Related stakeholders** | **Short to medium term strategic priorities**

Score card (Employee engagement)

Number of employees	Revenue per employee	Retention ratio and turnover ratio
985 (2021: 908)	UGX 136 Mn (2021: 137 Mn)	77% (2021: 78%)

Linkage to other capitals

Human capital investments contribute to our long-term financial success.

Learning and development investments equip our people to drive and deliver on our strategic goals.

Recruiting from our communities creates links that bolster our brand image and reputation.

We demonstrate awareness of the impact our activities have on the environment through sustainability initiatives.

Conducive work environments, automated and digitized systems ensure our people are content and equipped to deliver consistently high performance.

Contribution to SDG's

Providing employment opportunities supports economic development.

Direct employment opportunities improve our employees quality of life.

Training and development create new venues of employment through developed skills.

We provide opportunities that encourage more female entrants into the workforce.

Trade offs

	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L
Attracting and retaining the best																		
Remuneration and benefits	▼	▲	▲				▲	▲	▲									
Knowledge and skills from new talent	▼	▲	▲				▲	▲	▲	▲	▲	▲						
New employment opportunities	▼						▲	▲	▲	▲	▲	▲						
Building capacities and competencies																		
Investment in training	▼	▲	▲				▲	▲	▲									
Enhanced productivity	▲	▲	▲				▲	▲	▲									
More professional people							▲	▲	▲									
Efficiencies from learning and development	▲	▲	▲															
Performance driven culture	▲	▲	▲				▲	▲	▲									

S - Short-term M- Medium -term L – Long term

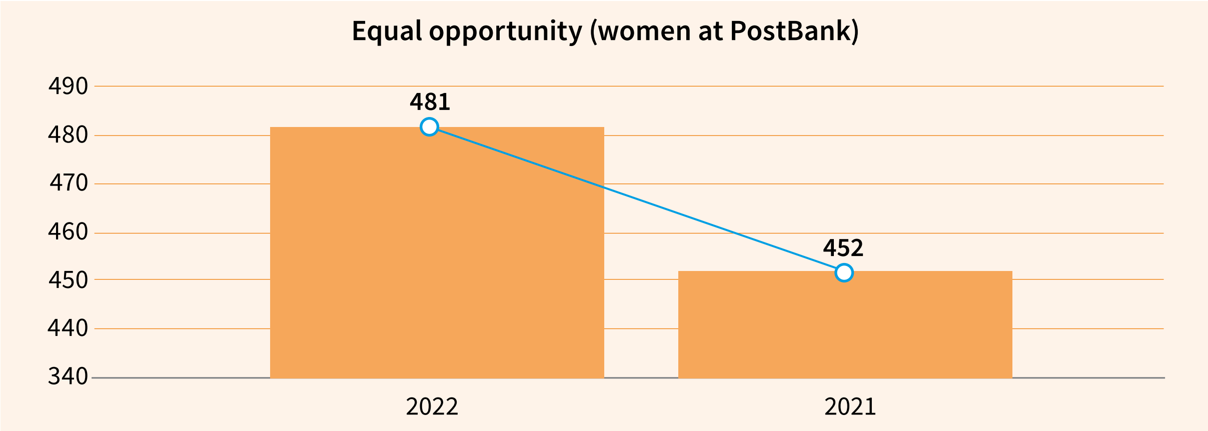
▲ Value increase ▼ Value decrease ⊖ Value preservation

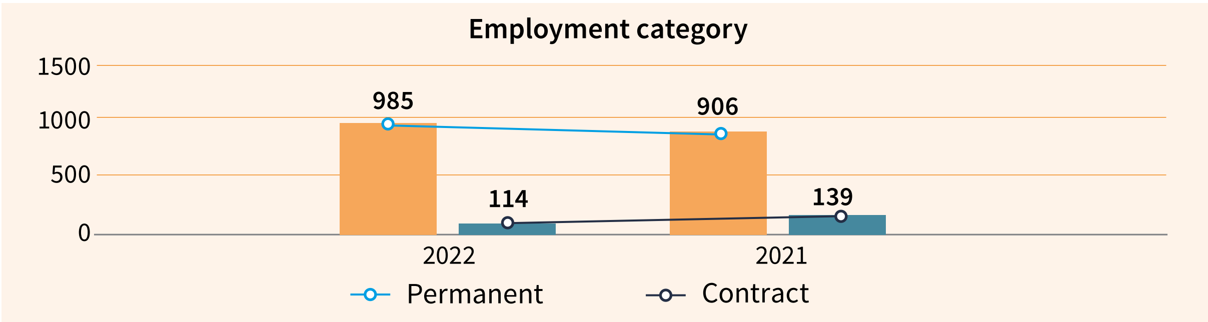
Drivers of Sustainable Value Creation

1. Attracting the best

Our team GRI 102-8 & 401-1

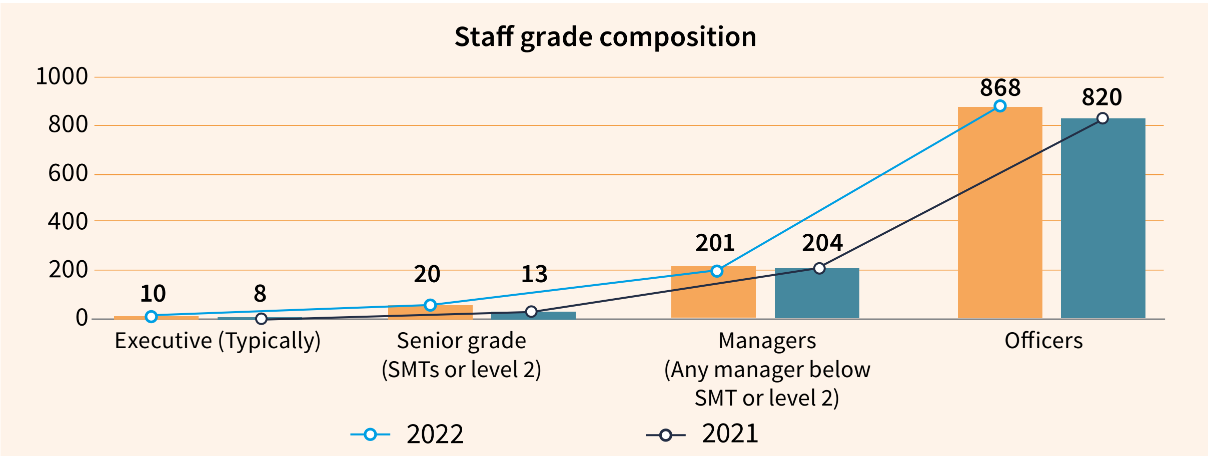
We had 985 staff (2021: 906) and 114 contractors (2021: 139) as at 31 December 2022. A total of 231 joined our family during the year including 109 female employees. We employ 481 female employees (2021: 452). The Bank's female representation at Management level has grown from 16% in 2021 to 23% in 2022. Despite the raging war on talent, we were able to maintain a retention ratio of 16% (2021: 16%). Our ability to attract and retain the best is reflective of our deliberate efforts to offer our people suitable employee value prepositions.

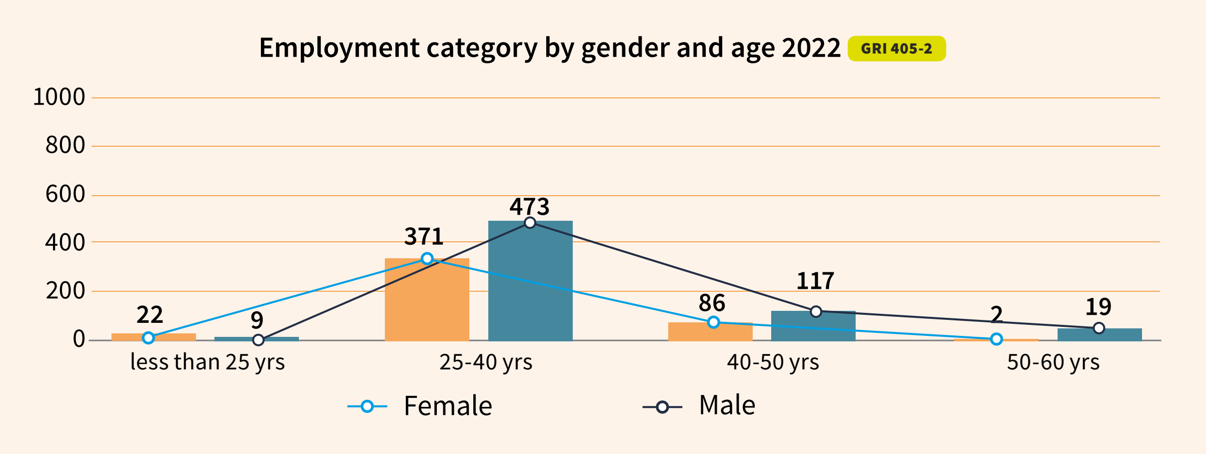




Our staff grade composition

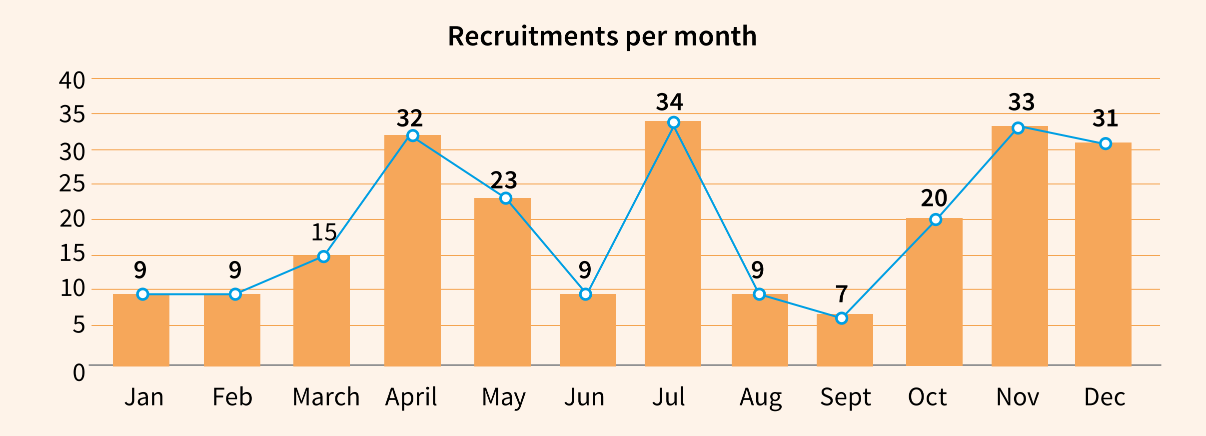
Our focus is to provide financial services to foster financial inclusion and social economic transformation. This means deploying young and agile staff members (average age under 40, 80%) across the country to serve our clients. At 31 December 2022, we had 868 officers (2021: 820) whose mission was to make it possible to include the excluded. These were supervised by 201 managers (2021: 204) who reported to our 10 executives (2021: 8).

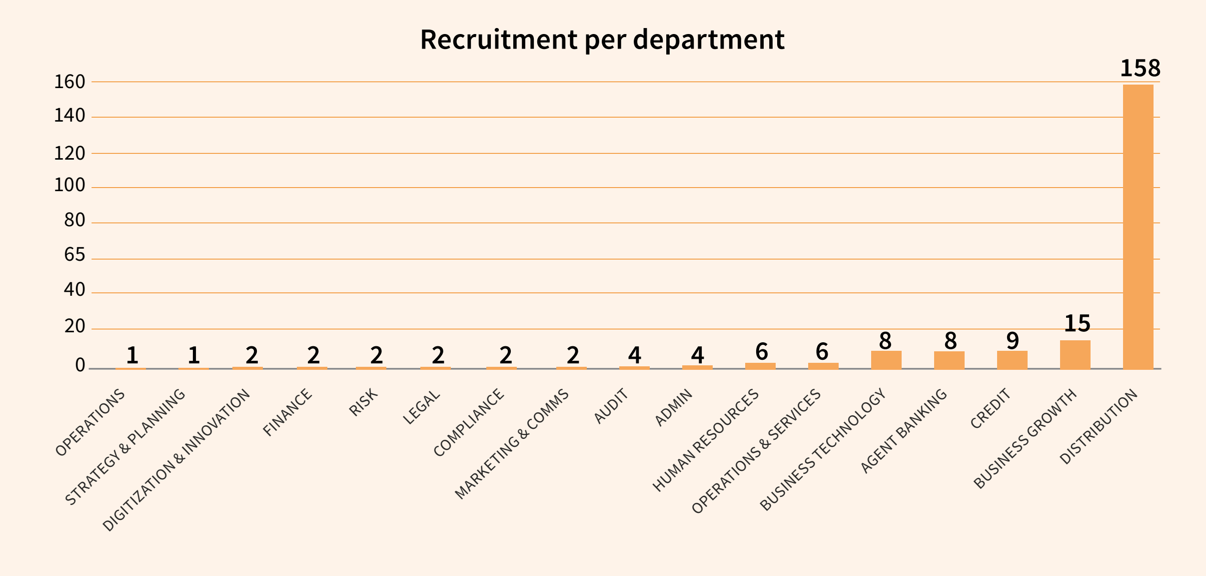


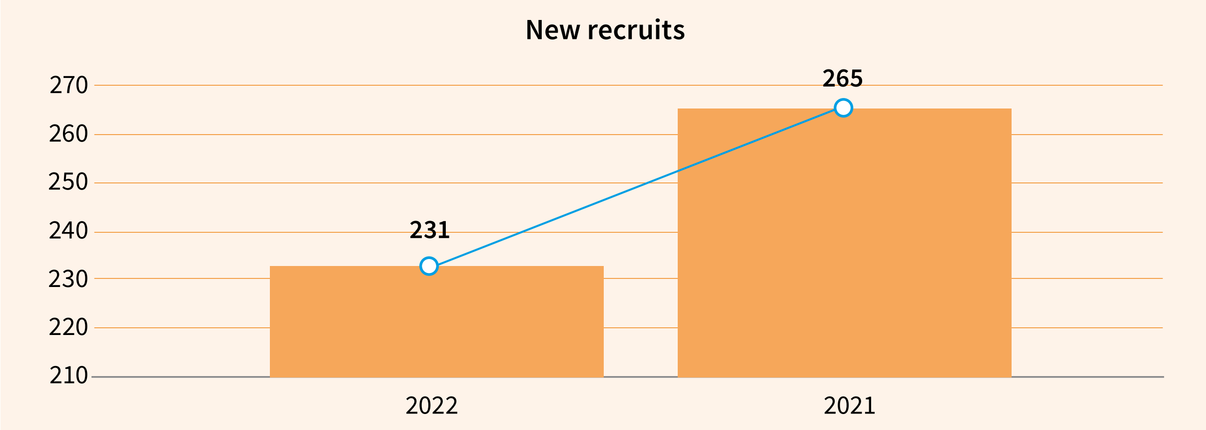


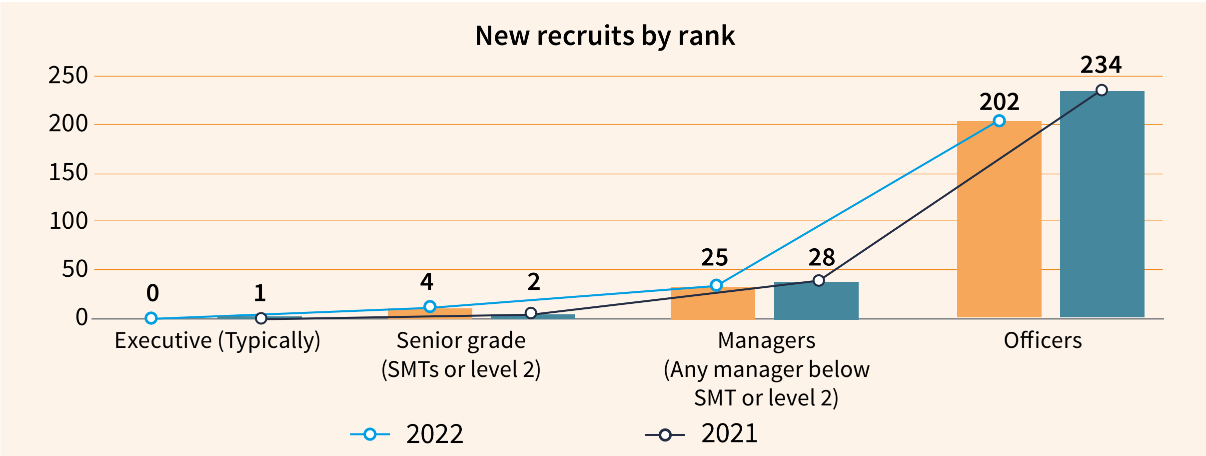
Recruiting the best GRI 202-2 & 401-1

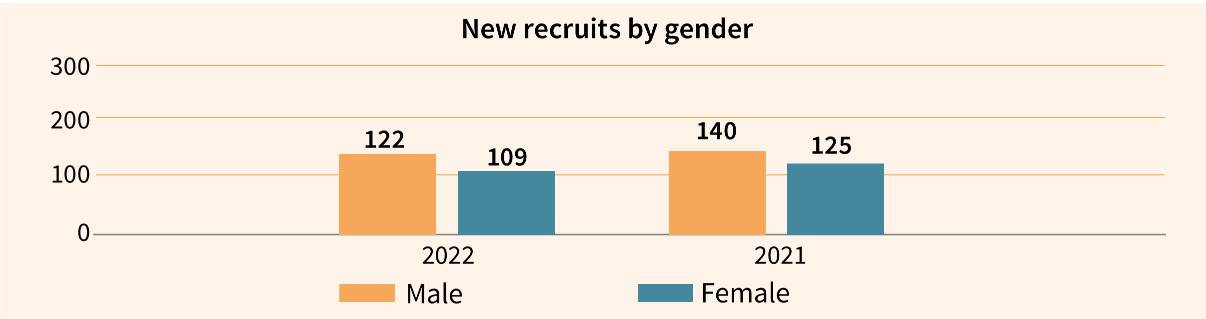
We limited hiring to positions that were viewed as critical to the Bank's success and future growth. 231 employees (2021: 265) were onboarded during the financial year to fill vacant positions, but most importantly to support the expansion of our distribution network. We are committed to seeking out the most qualified candidates, without regard to gender, race, or religion but based on their education, skills, and experience.

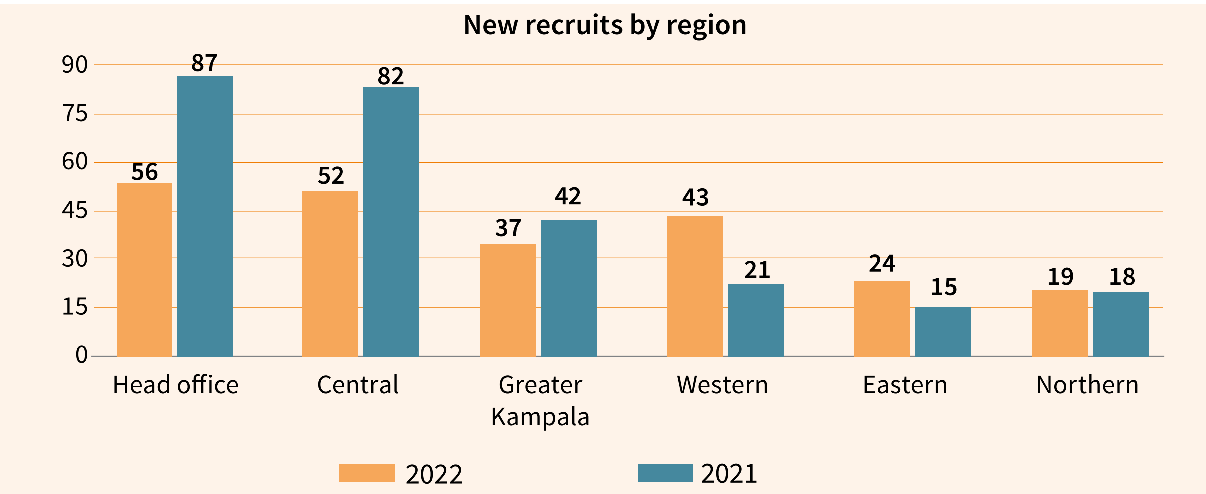





New recruits
270
260
250
240
230
220
210
231
265
2022
2021


New recruits by rank
250
200
150
100
50
0
0
1
4
2
25
28
202
234
Executive (Typically)
Senior grade (SMTs or level 2)
Managers (Any manager below SMT or level 2)
Officers
2022
2021


New recruits by gender
300
200
100
0
122
109
140
125
2022
2021
Male
Female


New recruits by region
90
75
60
45
30
15
0
56
87
52
82
37
42
43
21
24
15
19
18
Head office
Central
Greater Kampala
Western
Eastern
Northern
2022
2021

2. Building a winning team GRI 404-1

We implement a rigorous training schedule, that ensures our staff are equipped to handle our day-today business effectively. We believe that targeted training produces employees who not only understand their job requirements but can also fulfil them efficiently. Our total training spend for the year amounted to UGX 862 Mn (2021 UGX 626 Mn). Our training budget is strictly rationalized to areas that maximize value for not only the Bank but our staff as well.

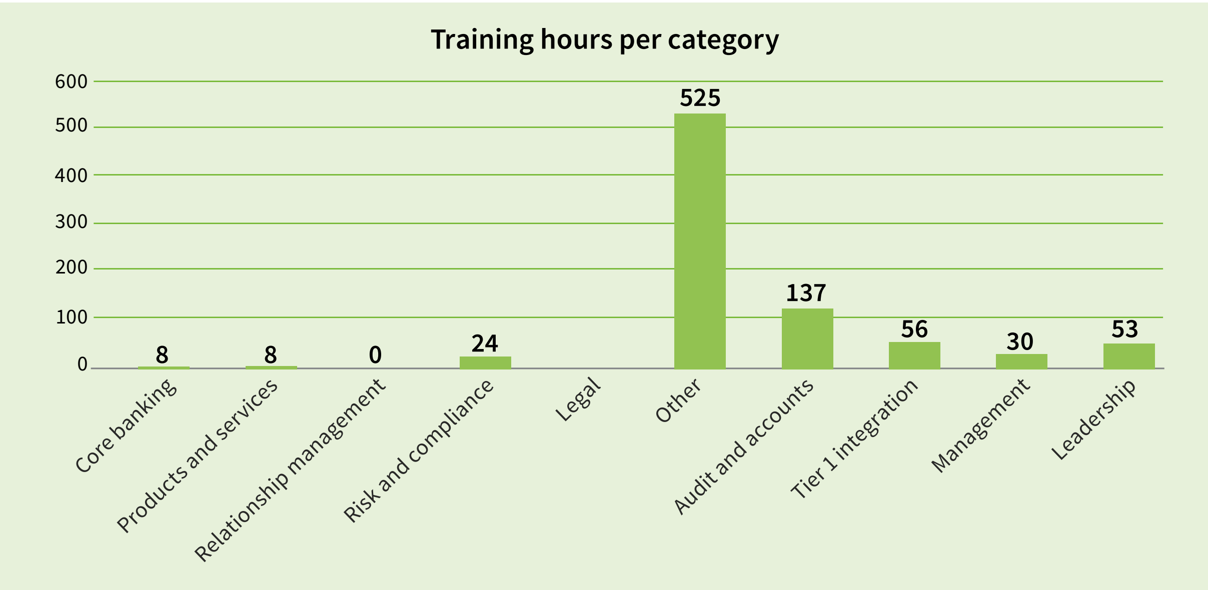
Training at glance

Average hours per employee	Leaders trained	Graduate trainees
8 (2021 - no training)	13 (2021 - no training)	58 (2021: 62)

We are currently undergoing transformational changes as a Bank. These changes meant that we were not able to log training hours in 2021. However, because of our commitment to continuous improvement and maximizing our people's potential, significant improvements have been made in 2022.

Training hours per training category

	2022	2021
Core banking	8	N/A
Products & services	8	N/A
Relationship management	0	N/A
Risk & compliance	24	N/A
Legal	0	N/A
Other	525	N/A
Audit and accounts	137	N/A
Tier 1 integration	56	N/A
Management	30	N/A
Leadership	53	N/A



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EMPOWERING YOU

Top-up **float** for **free**

Get all your **MTN, Airtel** and **Wendi float** at any **PostBank** branch

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Email: customerservice@postbank.co.ug

PostBank is regulated by the Bank of Uganda under licence No. A1.035. Customer Deposits are protected by the Deposit Protection Fund of Uganda up to UGX 10 Million, Terms & conditions apply.

GRADUATE TRAINEE PROGRAM

We are proud of the continued and sustained efforts in executing our annual Graduate trainee program with the aim of offering exceptional talent a route into banking.

Our Graduate Trainees diversify our organization and make material contributions to the Bank's transformation journey from day one through new ideas and insights.

Namutebi Jamirah Kitaka – Beneficiary of the PBU Graduate Trainee Program

Entering the corporate world as a graduate trainee at PostBank, in 2022, was both exciting and terrifying for me – I didn't know what lay ahead. However, my dream came true when I got the boundless opportunity to learn from seasoned finance experts.

As I reminisce on my journey, I am grateful for the invaluable impact that the PostBank Graduate Trainee Program has had on my career. I started out at Masaka branch as a banking officer before moving on to work as a customer service officer. These roles helped me understand the value of resilience, adaptability and maintaining composure under pressure.

After successfully completing the graduate trainee program, I was assigned to the Treasury Department as a Treasury Sales Officer. In this role, I have gained priceless experiences & knowledge that have deeply molded my personal and professional development and laid a solid foundation for my future aspirations.

I can say with pride, that my journey at PostBank has been incredibly rewarding. The mentorship and support I received from my peers and superiors have played a crucial role in my growth.

Juma Segujja – Beneficiary of the PBU Graduate Trainee Program

In 2021, just before graduating from Makerere University, a friend informed me about the PostBank Graduate Trainee Program. I applied and was selected together with fifteen (15) other graduates. Due to the COVID-19 lockdown, I had to wait for a few months before starting, but eventually, I was called for induction and deployed to Ndeeba branch.

Over time, I have been privileged to experience different roles in the Bank such as banking officer, customer service officer and personal banker. With these, I gained valuable skills that I will carry for the rest of my life. I was recently promoted to Associate Relationship Manager under the Business & Institutional Banking Department – a role, I am optimistic, is going to develop my career further.

I am grateful for the opportunity provided by PostBank through the graduate trainee program. With the experience gained, I aspire to be a top executive in the banking industry, in a few years to come. I also want to contribute towards the transformation of financial services' industry – embracing technological advances and innovating solutions to create a difference in our economy.

We believe that targeted training produces employees who not only understand their job requirements but can also fulfil them efficiently. Our total training spend for the year amounted to UGX 862 Mn (2021 UGX 626 Mn).

Susan Flavia Nabakiibi – Beneficiary of the PBU Graduate Trainee Program (Cohort 4)

My life-changing opportunity struck when I was selected to be among the beneficiaries of the PostBank graduate trainee program. I gained so many indispensable skills including customer service, cross-selling bank products to customers, resolving customer difficulties in the shortest time possible, account opening and handling of customer cash.

My skillset was further broadened with a 7-month rigorous training conducted by the Institute of Banking and Financial Services, in collaboration with the Bank. I was equipped with knowledge and skills in risk management, audit, operations, and personal finance, among other things.

After our graduation from the graduate trainee program, I was given a chance to work with the Treasury Department as a Treasury Sales Officer. The role has exposed me to learning the financial market environment, foreign exchange, money markets and rates. I'm currently pursuing an ACI Dealing course to enhance my knowledge and capabilities for my current role.

I am very grateful to PostBank for the advancements I have been able to make in my career and look forward to developing further and achieving my future aspiration of becoming the Head of Treasury.

Elizabeth Faith Nayiga – Beneficiary of the PBU Graduate Trainee Program (Cohort 1)

My journey with PostBank began with a simple WhatsApp message from my mentor just a few weeks before my graduation. I put in my application for the graduate trainee program - and I'm glad I did. I was invited for an aptitude test and, thereafter, a series of interviews, before I received the news of my acceptance into the graduate trainee program.

Despite the challenges posed by the COVID-19 lockdown, I and my fellow trainees reported for duty in August 2021, eager to embark on this rewarding journey.

Starting at the customer service desk, I gained valuable insights into core banking system operations, the importance of KYC documentation and excellent customer service practices.

As a banking officer, I acquired knowledge and skills in cash handling and basic reconciliation. This experience taught me the significance of attention to detail and accountability. Furthermore, my growth curve led me to become a personal banker before assuming my current role as a strategic planning analyst.

PostBank has provided me with a platform to thrive and I look forward to the future as we work together to achieve our set goals and objectives.

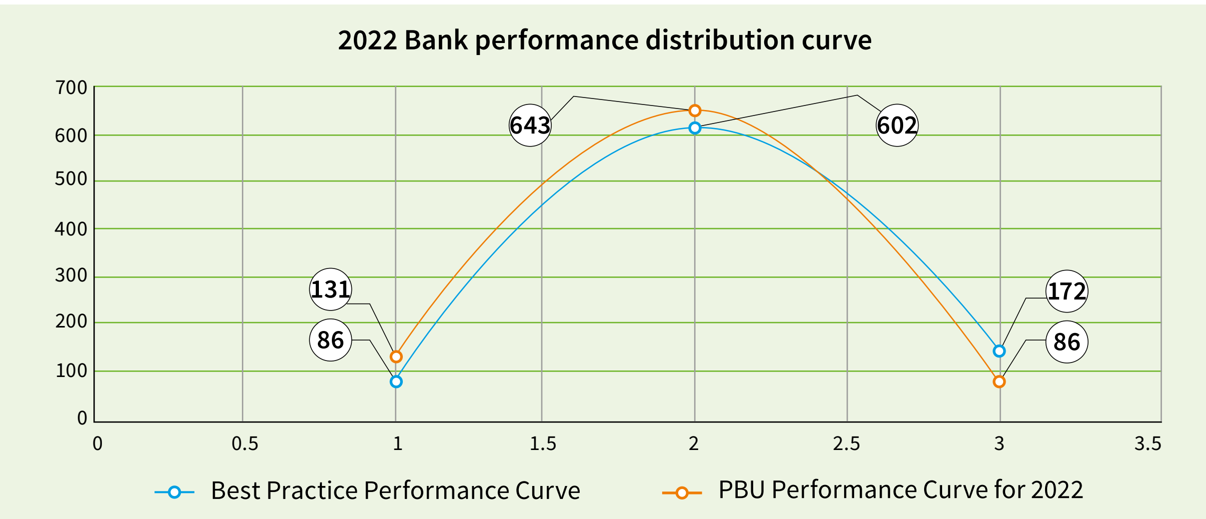
Leadership development GRI 404-2

We also run a wide range of learning initiatives to develop leaders at all levels. During the year, some of our leaders participated in the rigorous CEO Apprenticeship and CFO Academy Programs amongst many other programs. We ensured that 20 female leaders from PostBank participated in the Girls for Girls programme. The programme is aimed at nurturing and enhancing Women leadership potential whilst preparing them to aspire for bigger responsibilities and unlock their full potential.

PBU Girls for Girls Cohort 2 Graduands pose for a photo with the Managing Director Julius Kakeeto.

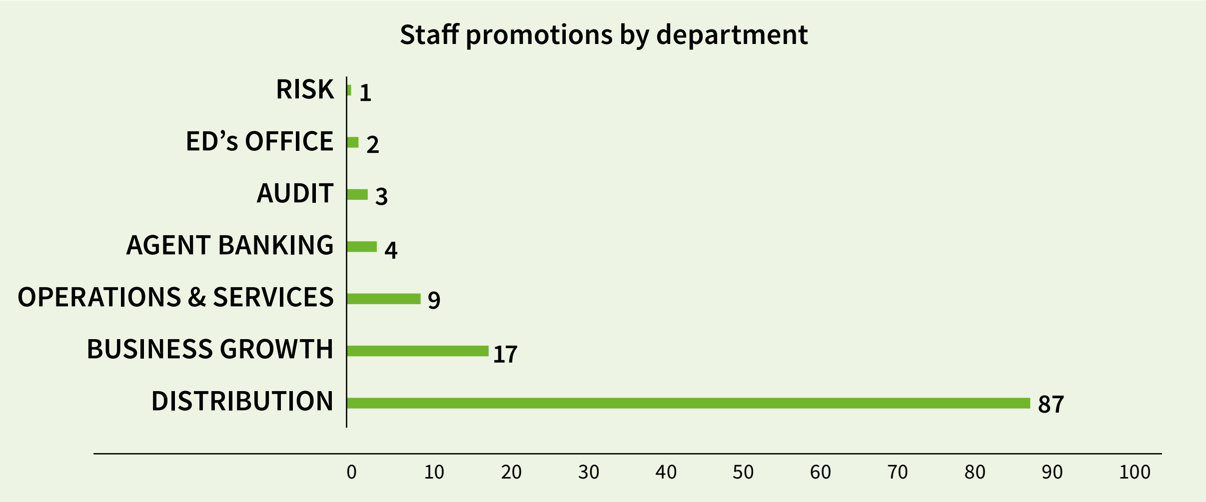
Performance management GRI 404-3 GRI 404-3

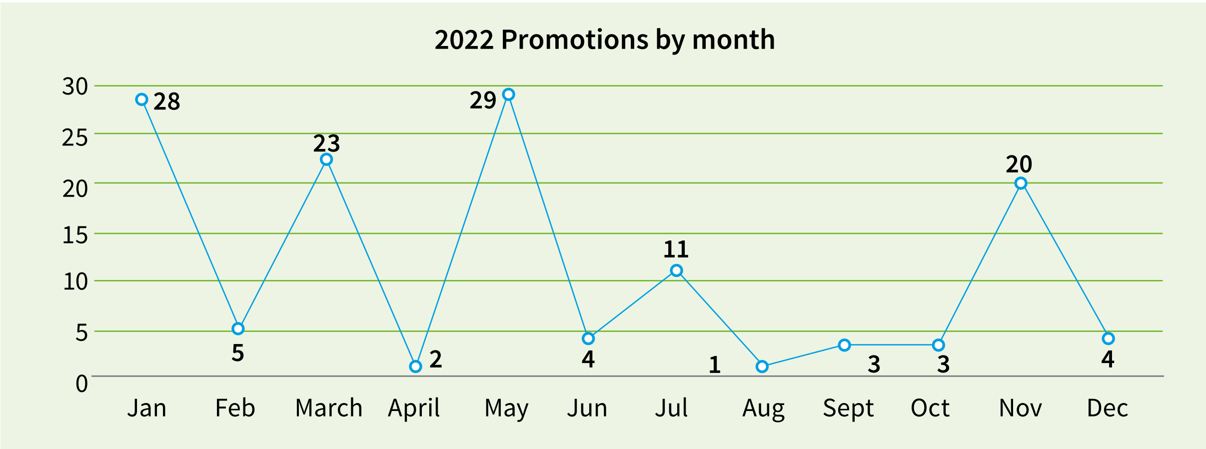
We believe that enhanced cascading of performance goals, performance discussions and analytics are a centerpiece in the overall transformation of the Bank. From the end of 2022 performance appraisals, 85% of staff at least met the expectations of their role targets. All of our staff, who were due for a performance review, received a review during the period.



Staff promotions

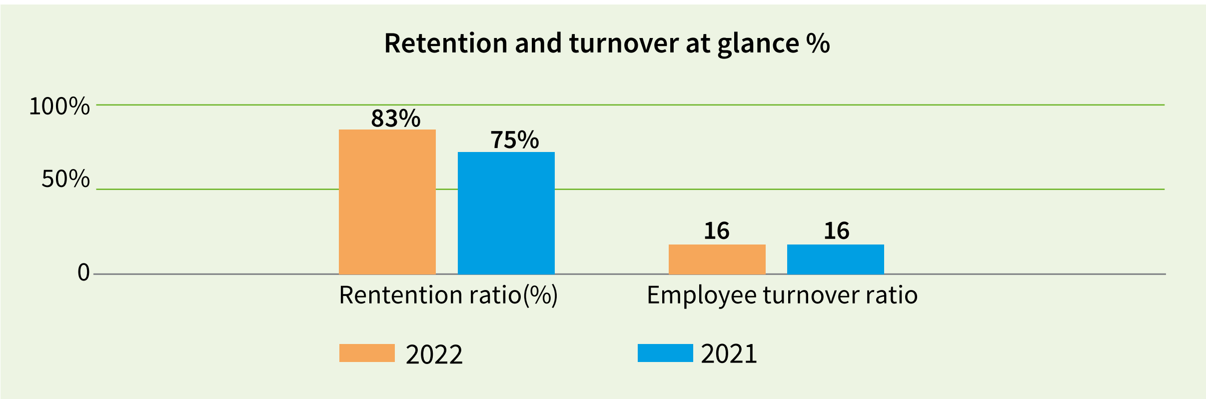
A total of 133 employees were promoted in the year 2022. Internal talent at mid and Senior management level have risen through the ranks and assumed various managerial and leadership roles in the Bank.





Retaining the best GRI 401 -1

Our retention rate increased to 83% for permanent employees in 2022 from 75% in 2021 due to our commitment to retain the best. As a result, overall staff turnover was maintained at 16% (2021: 16%). These exceptional figures reflect the positive impact of our work culture, which prioritizes employee engagement, job satisfaction, and stability. Retaining our highly skilled and motivated workforce is a top priority for creating long-term value at PostBank.



Rewards and recognition

We believe that rewarding high performing teams and individuals is the cornerstone for our remarkable retention statistics. In this spirit, we recognized the outstanding contributions of our employees and departments through a series of awards as follows:

a. **Innovation and Creativity award:** Presented to the Datawarehouse team for their exceptional performance in saving the Bank over UGX. 115 Mn through their innovative ideas and creativity.

b. **Employee of the Year - Sales:** Awarded to an outstanding sales employee who demonstrated exceptional performance in achieving sales targets.

c. **Employee of the Year - Service:** Awarded to an outstanding service employee who demonstrated excellence in providing exceptional service to our customers.

d. **Branch of the Year - Digital Onboarding:** Recognizing the branch that demonstrated outstanding performance in digital onboarding, customer experience and adoption. Kamwenge Branch emerged as the winner in this category.

e. **Support Department of the Year:** Presented to the department that demonstrated outstanding support to the Bank's operations and made a significant contribution to its overall success. The Business Technology Department emerged as the winner in this category.

f. **Managing Director's Merit Award:** Presented to staff who demonstrated exceptional performance and made a significant contribution to the success of the organization.

g. **Best Non-Funded Income Generating Unit of the Year:** Recognizing the department that generated exceptional non-funded income for the Bank. Our Treasury department received the award.

Focus on holistic employees

The Bank strives to create a healthy and enabling environment for our People so that they can perform at their best and thrive in their careers. The wellbeing of our staff is an integral part of our culture, and we employ several preventative and reactive initiatives to safeguard our People every day.

Below are some of the wellness initiatives from 2022;

Women’s day talk

To commemorate the International Women’s Day, we organized a wellness talk under the theme, “Becoming Your Next Best Self in Preparation for a Suitable Tomorrow.” The talk addressed mental health concerns such as depression, anxiety, stress, and burnout.

Response to the Ebola Outbreak

In 2022, one of the major focuses of the Bank was occupational health and safety campaigns. We supported our staff with personal protective equipment during the Ebola disease outbreak in the country including face masks, gloves for tellers, hand sanitizer and liquid soap, as well as desk shields for tellers.

What we won

PostBank participated in the competitive Annual banker’s gala.

The Bank emerged the 5th out over 32 participating Supervised financial intuitions. Our team Managed to win:

1. Gold in Football and Athletics.
2. Silver in Basketball.

Review of Organization structure

In line with the Bank's approved strategy 2021-2025, the Organizational structure was redesigned to support the new direction of the Bank. Below are the key structural changes that were adopted:

- **Regional Distribution Model** - The regional model was adopted to effectively support and supervise the Bank's distribution network currently standing at 58 branches and over 525 Agents.

- **Treasury Unit -** The Treasury front and back-office operations' units were streamlined to build a competitive edge in direct trade on the Interbank and in government securities on the secondary market.

- **Digital Financial Services (DFS) unit -** A designated department comprising of the Mobile Banking (e-wallet) solution, Agent Banking, Digital and Innovation, Project and change management units respectively was established to support the Bank's journey to towards becoming the peoples bank.

- **Business & Institution Banking (BIB) unit -** Business and Institution Banking department was enhanced to facilitate the growth and increase the market share of the Small and Medium Enterprises and institutions banking.

- **Chief Operating Officer Domain -** The Chief Operating Officer role was created to break span of control for Executive Director function, allowing the role holder to concentrate on the digitization agenda for the Bank. This role is part of the Executive Committee.

- **Strategy and Data Analytics Unit -** The Bank acknowledges that "the future is data-driven", and that decisions and strategies will rely more on data analysis and insights, rather than intuition or assumptions. To this end, we established this unit to meet our data and strategy demands.

- **Legal, Risk Management and Administration -** To improve our operations and align with our strategic goals, we have elevated our Administration, Legal, and Risk Management departments to new levels of leadership. This will enhance strategic alignment, improve collaboration and coordination among different departments, and facilitate more efficient and effective bank operations.

Outlook for 2023 and beyond

- Continue to fight the war for talent by becoming an employer of choice.
- Create a learning driven culture that seeks continuous improvement.
- Bolster our recruitment process to ensure that the right fit people are added to our family.

- Enhance our performance management and evaluation mechanisms.
- Expedite the discipline and grievances process.

- Become the employer of choice in our communities.

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.

Sustainable value creation through social and relationship capital

Our approach

Our conviction is that sustainable value creation through social and relationship capital is only possible through ensuring collective well-being. Over the years, we have built relationships that enable us to create value and successively benefit from the value created. We believe that these relationships can only be sustained through trust which shapes how our stakeholders view us and ultimately impacts the value we produce.

Our social license to operate is hinged on our ability to meet the needs of the financially excluded and SMEs. To this end, we have improved our customer relationships by enhancing our value proposition, mindfully working to meet customer expectations for service delivery, provided sustainable community support by upskilling our customers through engagement programs and via our supply chain.

To us, being building strong social and relationship capital means full compliance with laws and regulations.

Key inputs

- Taking the initiative to engage with media outlets and local communities.
- Collaborating with business partners and suppliers.
- Cultivating enduring customer connections.
- Fostering productive employee involvement.
- Maintaining favorable rapport with governmental entities and regulatory bodies.

Key outputs

- Maintain social license to operate.
- Customer-centric service delivery .
- Fair and equitable tender process.
- Ethical management systems.

Strategies to enhance value

- Seek enduring stakeholder relationships to ensure sustainable value creation .
- Generate mutual benefit for sustainable socio-economic progress (NDP III).
- Emphasize responsible governance that is cascaded throughout the Bank.

What social and relationship capital means to Post Bank

PostBank has given prominence to its social and relationship capital as its position as a state-owned bank comes with greater social obligations. As such, we strive to maintain relationships that positively impact the wider community, our stakeholders, and other networks. We have formed relationships founded on trust, integrity, and value sharing with a key focus on community and environmental well-being. Hence, our social and relationship capital management is of paramount importance in sustaining healthy connections.

Value created

- Reliable service delivery.
- Open and fair procurement process.
- Proactive and collaborative supplier development.
- Transparent, and ethical management.

Key challenges in 2022

- Tradeoffs affecting stakeholder expectations.
- Managing stakeholder conflict of interest.
- Efficiently allocating resources to fulfil varied stakeholder requirements.
- Potential reputational damage when cordial relationships are not maintained.

Key Opportunities in 2022

- Leverage on social and relationship capital to enhance the creation of sustainable value.
- Align our engagements with the community to those of our shareholder (NDP III).
- Promote sustainable interventions that increase the overall value to our communities.

Material Matters

Related stakeholders

Short to medium term strategic priorities

Score card

Mobile banking and USSD users
34,277 users (2021: 26,649)

Responsible procurements
UGX 41.917 Bn (2021 56 Bn)

Contribution to communities
UGX 130 Mn (2021 nil)

Linkage to other capitals

Regulatory compliance sustains natural resources and increases sustainability.

CSR initiatives create awareness, strengthen teamwork, and provide work life balance.

Good relationships with our business partners strengthen our ties with the communities in which we operate.

Satisfied and loyal customers result in sustained financial success.

Digitalisation efforts enhance the potential of manufactured capital.

Contribution to SDG's

We encourage literacy and education through community projects, and financial aid towards education.

Our rigorous procurement process promotes responsible consumption and production.

We make financial inclusion a priority in our projects to address both poverty and inequality.

Our sustainable infrastructure projects benefit both the environment and community.

Trade offs

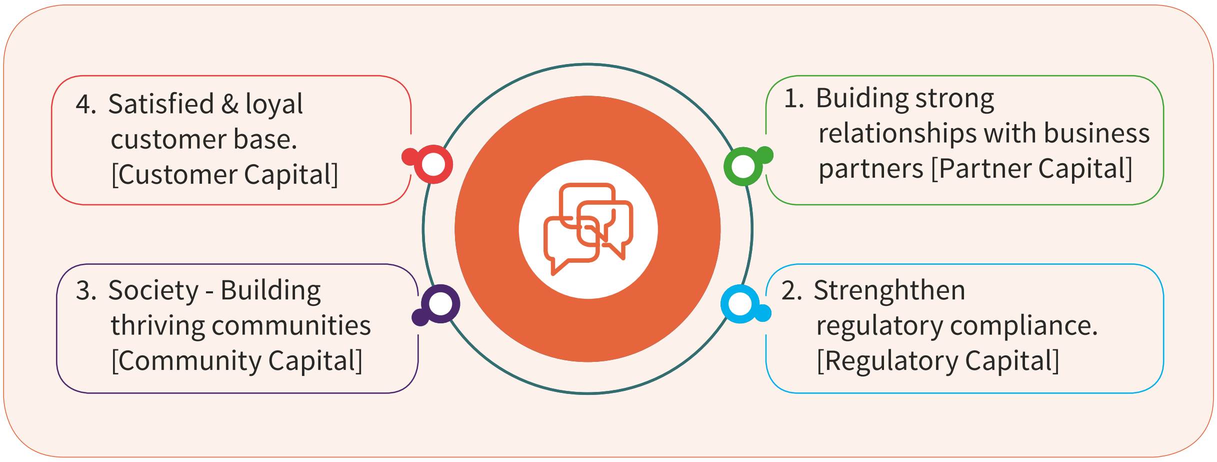
	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L
Providing customer experience and exceeding customer expectation																		
Investment in customer experiences	▼	▲	▲							▲	▲	▲						
Deploying right talent to serve the customers										▲	▲	▲						
Developing skills and competencies	▼						▲	▲	▲	▲	▲	▲						
New business opportunities and new revenue streams		▲	▲															
Community projects																		
Investment in communities	▼	▲	▲							▲	▲	▲						
Enhance brand image and loyalty	▲	▲	▲	▲	▲	▲				▲	▲	▲						
Responsible corporate citizenship	▲	▲	▲							▲	▲	▲						
Regulatory compliance																		
Investment in regulatory systems and processes	▼	▲	▲								▲	▲						
Skills development and enhancement	▼	▲	▲							▲	▲	▲						
Sound governance practices and reputation										▲	▲	▲						

S - Short-term M- Medium -term L – Long term

▲ Value increase ▼ Value decrease ● Value preservation

Drivers of Sustainable Value Creation

For us, society comprises our stakeholder and corporate citizenship universe. Our business approach follows a stakeholder centric approach to social and relationship capital. Our unique and focused approach to relationships enables us to create and sustain meaningful value for our stakeholders. The following sections provide a detailed discussion of our four social and relationship capital elements – customer capital, business partner capital, regulatory capital, and community capital.



1. Buiding strong relationships with business partners [Partner Capital]

To us, “business partner capital” refers to the value generated by interdependent business connections that enable efficient and seamless delivery of products and services. These connections encompass a range of partnerships, such as correspondent banks, suppliers, outsourcing service providers, and other business associates.

Our approach to Business partner capital

At PostBank, business associates are regarded as an extension of us, adding to the Bank's overall profitability. Therefore, we conduct all transactions with transparency and integrity, guided by suitable policies that oversee the entire process. Our objective is to establish enduring, sustainable business relationships that yield mutual benefits by means of operational synergies, market accessibility, and new business prospects.

Strategies to enhance value

- Consistent and stable transactions.
- PPDA compliant procurement practices.

Value creating drivers for building strong business partner relationships

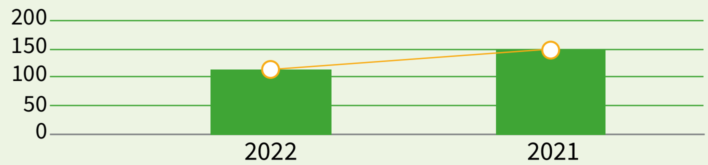
- Facilitating financial inclusion through grant partnerships.
- Responsible and compliant procurements (PPDA).
- Providing value to service providers.
- Bolstering strategic alliances.

Facilitating financial inclusion through grant partnerships

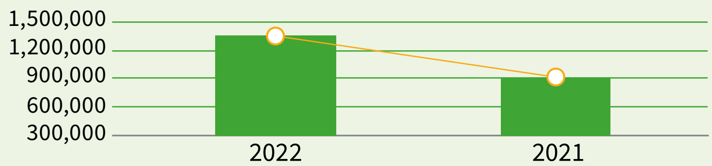
We continue to seek ways in which our capitals can be deployed to create value for our stakeholders that transcend financial results. To this end, we have established partnerships with development partners by facilitating payments to refugees and people of concern and loan products that support financial inclusion by improving livelihoods.

<table>
<tr><th>Input</th><th>Outcomes</th></tr>
<tr><td>We made it possible for our partners to reach refugees and people of concern by extending our financial services to predominantly rural areas with no branch network.</td><td>

Payments to refugees and people of concern (UGX Bns)



Number of refugees and people of concern households served



</td></tr>
<tr><td>

aBi Development grant

This partnership which aligns with our strategic goals was established to support us increase access to financial services and ultimately address financial inclusion.

</td><td>

- New branches in Kotido and Anaka.
- Installation of Solar ATMs to bolster financial inclusion in rural areas.

</td></tr>
</table>

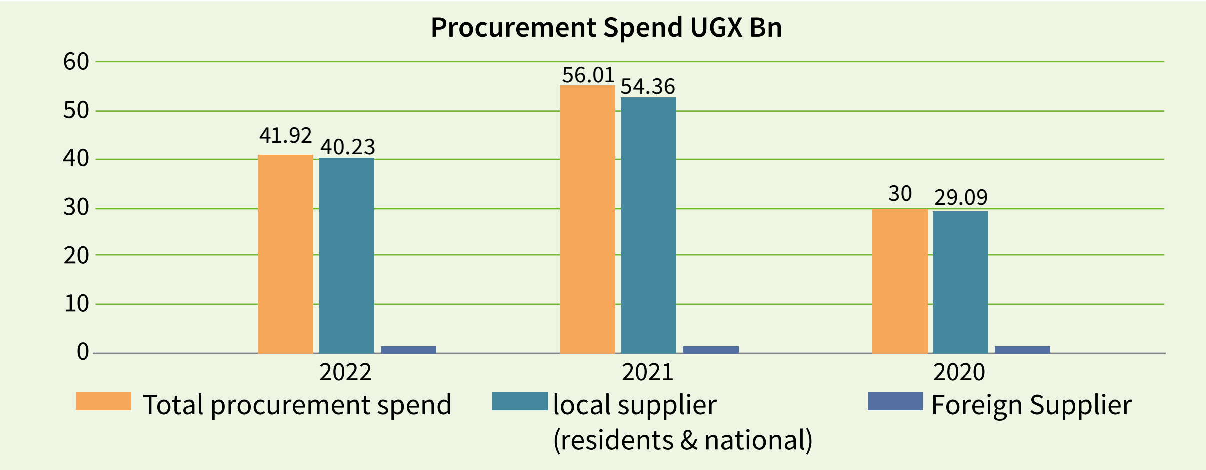
water.org	**Water Credit grant** We entered into a partnership with Water.org and Water for People, where we committed $251,321 towards improving water and sanitation in Uganda.	• Completed activities that will make it possible for future impacts in the WASH space. • Established 80% guarantee for WASH loans disbursed in Kamwenge and Soroti.
HEIFER INTERNATIONAL	**Heifer grant** We entered into a 50-50 partnership with Heifer International to enhance agricultural loans.	• Over UGX 2 Bn in agriculture loans extended to the youth. • 1000+ youth have been able to benefit from the project funds. • Meaningful projects introduced into communities where the funds were disbursed.
NRC NORWEGIAN REFUGEE COUNCIL	**Norwegian Refugee Council (NRC) grant** We received UGX 366 Mn from NRC in collaboration with TENT foundation to improve livelihoods of young, displaced men, women, and children in Uganda.	• Young women, men and children in Uganda have been able to benefit from the project funds. • Meaningful projects introduced into communities where the funds were disbursed.
eurogiro	**Eurogiro grant** We entered into a partnership with Eurogiro to create a digital solution that would enhance financial inclusion for the intended beneficiaries.	• Provision of payment solutions with competitive transaction costs targeted at including 7,000 beneficiaries across the country.

PostalPay Launch

Responsible procurement GRI 204-1

We view our suppliers as strategic allies and as a result hold them to the highest standards of quality, service, and ethical practices.

	2022	2021	2020
% of BUBU in our procurement spend	**95.98%**	97.06%	96.97%
% of indigenous Uganda business in total spend	**43.9%**	48.6%	49.9%
% of indigenous Uganda business in local spend	**45.7%**	50.1%	51.4%



We work with local suppliers that can meet the requirements of the Public Procurement and Disposal of Public Assets Act in providing goods and services to us.

Our transparent supplier selection process revolves around non-discrimination and equal treatment, confidentiality, fairness, openness, and accountability. To generate value in a balanced manner we have a diversified supply chain.

The key features of our robust procurement process:

- Maximise economic value and efficiency in procurement.
- Adhere to prescribed standards (PPDA), specifications, rules, and regulations and maximise income in the disposal of assets.
- Provide fair and equal opportunity for interested parties to participate in our procurement process.
- Expeditious execution of delivery of goods and services.
- Compliance with local and international laws and regulations.
- Ensure transparency and uniformity in the evaluation and selection procedure.
- Maintain the confidentiality of information provided by bidders during the bidding process.

We update our procurement plan annually based on changing requirements. Our trusted suppliers support us with the purchase of fixed assets, consumable items, printing, marketing and promotional activities, maintenance and construction services, and consultancy in special cases.

The policy of the Bank clearly stipulates the various procedures for different procurements in accordance with the PPDA Act and regulations.

2. Strengthening regulatory compliance – regulatory capital

We believe that the primary aim of regulatory capital is to ensure financial and social stability. In banks, regulatory capital plays multiple critical roles, including absorbing losses, fostering public trust, preventing excessive asset expansion, and safeguarding depositors.

Our approach to regulatory capital

As a state-owned licensed Tier 1 Commercial bank, Post Bank is incorporated under the Companies Act of Uganda and licensed and regulated by the Bank of Uganda. Given this position of great responsibility, we are absolutely committed to following all regulatory requirements and follow sound governance practices that create customer trust and maintain a stable economy. We continue to pay our taxes to government which positively impacts the economic development of Uganda.

Strategies to enhance value

- Put in place mechanisms to identify, assess, and respond to regulatory changes.
- Strengthen operational resilience.
- Improve stress testing standards.

Value creating drivers for strengthening regulatory compliance

- Consistent compliance with laws and regulations.
- Anti Money laundering, bribery, and corruption.
- Strong governance and prudent risk management.

Consistent compliance with regulations **Adhere to the provisions of the:** • Financial Institutions Act, regulations, and amendments. • Financial institutions licensing regulations. **Maintain close relationships with:** • The Ministry of Finance, Planning and Economic Development. • Uganda Revenue Authority. • Office of the Auditor General. • Parliament. • Submit periodic information related to the Bank's operations in compliance with the directives issued by Bank of Uganda.	**Anti-money laundering, bribery, and corruption** **Identification of three principal risk areas in the age of digitisation:** • Anti-money laundering. • Cybersecurity. • Fraud prevention.
Strong governance and prudent risk management • Maintain a watertight governance system and strict risk management policy. • Reinforce a risk culture as a short to medium-term strategic priority. • Practice a strong risk culture that effectively anticipates, manages, and mitigates risks arising from internal and external environments.	**Contributions to the Government** • Pay and collect taxes on behalf of the Government. • Pay all relevant taxes payable on-behalf of and in respect of our employees. • Pay all applicable statutory dues to the Government and the other relevant regulatory and statutory authorities. • Pay dividend on income earned.
Additional discussions on risk management can be found on pages 66 to 71 of the Report under the Material Matters Risks and Opportunities section.	

3. Building thriving communities – community capital

Being socially responsible in the contemporary society is a concept and trend that no business entity can ignore. Conscious business decisions by PostBank, have and continue to create value directly and indirectly for multiple stakeholders and help in improving the lives of people through and around which, the business grows in a sustainable manner.

Our approach to community capital

PostBank has always believed in creating societal value by providing affordable products and services which have caused the growth and all-round empowerment of various stakeholders. We have invested in community projects that are in line with our Corporate Social Investments Policy. This policy guides our approach to building community capital that is responsive to the National Development Plan III and UN SDGs.

The key philosophy of all CSR initiatives at PostBank is and continues to be guided by the three core commitments of SIS:

- **a.** **S**-Scale
- **b.** **I** - Impact
- **c.** **S** - Sustainability

Strategies to enhance value

- Consider social, economic, and environmental factors for investments.
- Volunteer in the community.
- Support local people and businesses.

Value creating drivers to enhance community capital

- Contribute to National Development.
- Prioritize financial inclusion.
- Give back to communities.
- Strategic alliances to drive community development.

PostBank seeks to strategically consolidate its CSR initiatives to focus on discrete social problems, all aimed at enabling our communities to enhance their livelihoods. We are committed to utilizing several opportunities to increase and deepen social impact and generate value for all.

In 2022, we committed over UGX 130 million (2021 nil) to improving access to quality education, community upskilling and business incubators for agribusinesses, and partnerships to strengthen social development in the country.

‘PostBank has given us good advice on loan acquisition and investment,’ said one of the respondents in an evaluation survey after one of the agricultural forums with the aim of equipping farmers with knowledge and skills to jumpstart their agribusinesses – in a period when many businesses were recovering from the effects of COVID-19.

Program	Objective	Scale (S)	Impact (I)	Sustainability (S)	Investment
Upskilling farmers in financial literacy and agribusiness management.	Equipping farmers with knowledge and skills to jumpstart their agribusinesses.	The forums covered a wide range of districts in Eastern and Western Uganda including Soroti, Kapchorwa, Bulambuli, Manafwa, Kagadi, Fort Portal, Kamwenge and Kasese.	700 participants impacted.	The beneficiaries of the agriculture forums, were, among many other things, skilled in financial management (loans, savings, and investment), agriculture financing and agriculture insurance.	UGX 30 Mn.
"Gattako Omutindo"-Agri-SME Development Program.	PostBank introduced an Agri-SME Development Program to empower SMEs with value addition and financial literacy skills.	The value addition trainings were strategically categorized to cater for every region’s challenges.	The trainings benefited a total of 649 SMEs. Of these, 448 were represented by women. The Kampala trainings had 128 SMEs.	SMEs were trained for five days – with four days of value addition and the fifth day for financial literacy.	Over UGX 80 Mn.
Contributing to social development.	Annual Martyrs’ Day celebrations.	Ankole Diocese (Anglican Church).	Churches under Ankole Diocese.	Bank organized a fundraising dinner that helped the Church collect over UGX. 200 million from well-wishers.	UGX 15 Mn.
Improving quality of education.	Provide lifeline for schools recovering from the shocks of the Covid Pandemic.	Mbale district.	Mooni Primary School.	Classroom desks improved the learning conditions for students at Mooni Primary School, Mbale.	UGX 3 Mn.

4. Building a satisfied and loyal customer base – Customer capital

At PostBank, Customer capital is the value derived from our interactions with our customers, which directly contributes to current and future value. Essentially, it is the outcome of the customer relationship.

Our approach to customer capital

In 2021 we started on a journey to meaningfully listen to our customers. We set up a client service center – a first of its kind for the Bank, established service guidelines across our vast network. These steps are not industry firsts but are critical changes in our historically “public sector like” banking service. Our goal is to change this, and we acknowledge that our journey has just started.

Our relationship with clients is a major part of what we do and greatly impacts the quality of our work. We take an integrated approach and leverage multiple channels to provide outstanding customer service. Through these channels, our clients can provide instant feedback as they engage with us. Our wide-ranging branch network, mobile/internet banking, and other platforms ensure that customers have the best possible access to banking services.

Strategies to enhance value

- Continuously strive to deliver excellent customer service by enhancing digital customer service model.
- Measured and monitored customer satisfaction performance indicators.
- Individual staff responsibility to do whatever is possible to enhance customer experience.

Value creating drivers for building a loyal customer base

- Provide a superior customer experience.
- Improve customer satisfaction.
- Efficiently resolve customer complaints.
- Safeguard customer data and privacy.

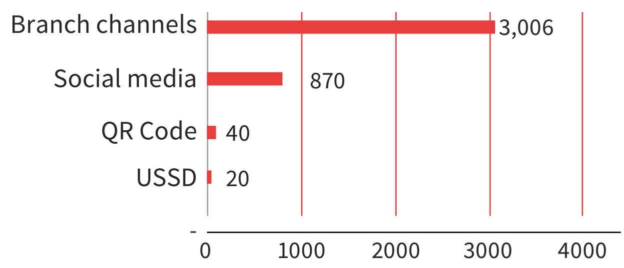
Resolving customer concerns

The primary mode of communication between the Bank and our customers, is our Call Centre which is dedicated to handling customer queries and grievances. All calls are handled by highly trained and skilled customer service representatives. A query is initially handled by the agent who directs it to the relevant department. A reference number is generated for each query, which is given to the customer to follow up on their query. A report on customer complaints and the actions taken to resolve them is compiled every month and is presented to the Management. We continued to equip our employees with the necessary skills to attend to customer complaints, to resolve issues and to turn difficult situations around.

Customer satisfaction statistics

Number of complaints received.	Number of complaints resolved.
11,269 (2021 – 8,768)	11,239 (2021 – 7,968)

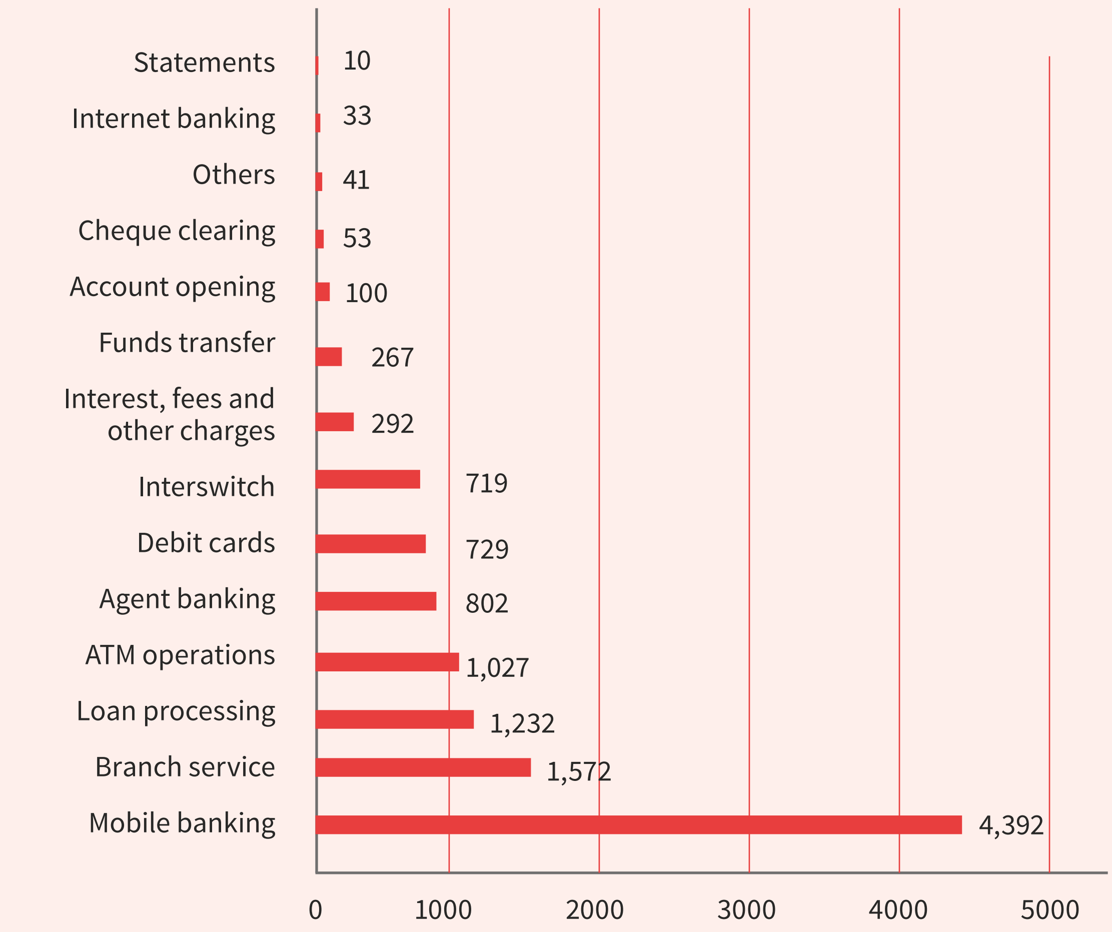
Customer inquiries by channel



*2021 data not available. We started measuring this data in 2022.

Loan disbursement turnaround time. Target 4hours **14hours** (2021 -16hours)	Loan processing error rate. Target <5% **43%** (2021 – 54%)	Uptime of alternate distribution channels (ATMs, internet banking, Mobile App & Agency banking). Target- 98% **92%** (2021 – 85%).
Over the counter error rate. Target <0.2% **0.1%** (2021 – 0.1%)	Mobile banking onboarding turnaround time. Target 1day. **2days.** (2021 -2days)	Complaints resolution rate. Target 90%. **75%** (2021 – 91%)

Number of complaints by category



Damallie Nalukwago
Head Operations & Service

As a brand, we continue to see the feedback obtained through our channels and surveys as an opportunity to improve.

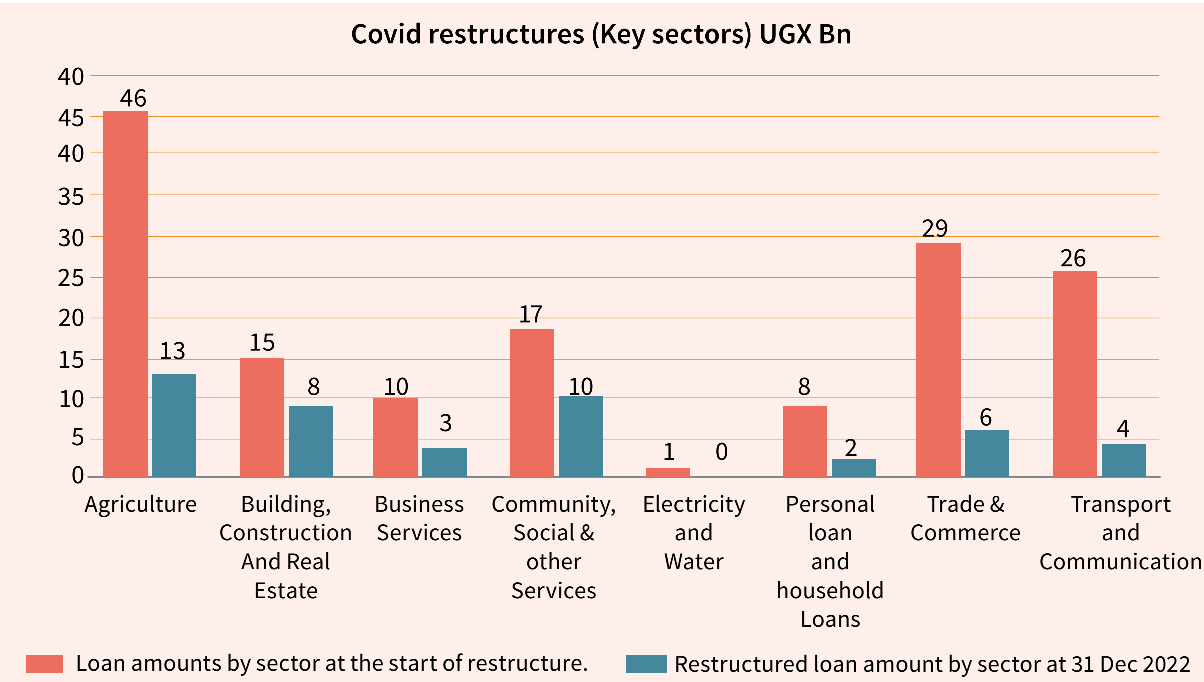
Customer calls through our recently established call center increased in the year 2022 by 28% which reflects increased confidence and reliance in the Bank's feedback channels. 99% of the calls received were successfully handled and closed by the Bank. The number of queries received through the various feedback channels grew by 16% while the response time for queries was 99% in 24 hours. We have also added feedback channels to enable our customers provide instant feedback.

These include a QR code (that is displayed on our social media platforms, bank premises and website) and a USSD code (*263#) that enable customers who may not have data or smartphones, to provide instant feedback from anywhere at any time.

Our most recurring complaint in the previous year (2021) was delayed card issuance and failed ATM transactions. However, we invested and upgraded our ATM switch and promptly resolved these issues – making card issuance instant and broadening the number of services provided at our smart ATMs. Customers are now able to deposit cash and withdraw without ATM cards, among other benefits.

Supporting customers in their recovery from the effects of COVID-19

In April 2020, Bank of Uganda announced the Covid-19 credit relief and loan restructuring measures for existing borrowers who were or would be adversely impacted by the pandemic. We stood by our clients and repaid their loyalty by restructuring one third of our loan facilities and giving them the much-needed time and finances to steer their business back on the right track.
We are delighted to report the results of our actions below.



Status	Movement Schedule UGX
Amount at time of restructure	151,725,146,634
Written off	(11,616,509,639)
Partial Repayments	93,508,193,775
Still on Loan Book – 31 December 2022 See below	46,600,443,220

Classification	Amount UGX
Normal	20,830,090,009
Watch	5,355,151,430
Substandard	2,952,789,052
Doubtful	5,498,564,905
Loss	1,963,847,824
Total	**46,600,443,220**

Customer Testimonials

The unprecedented COVID-19 pandemic will go down in history as one of the most ravaging health catastrophes of this generation, bringing everything to a standstill. Back home, many businesses crumbled to the ground, and others never resurrected to this day.

For the most part, school owners suffered an even harder blow, specially because the education sector in Uganda was locked down for a record two years, much longer than anywhere else in the region. To save some of its customers who owned schools, from the plight of the pandemic, the Bank offered a loan grace period to customers who were still servicing their loans at the time.

From having to pay for their loans every end of term, school owners were now given a leeway to resuming remittances after reopening of schools, in January 2022. This was a breath of fresh air for many who had started suffocating.

We spoke to some of the beneficiaries of this intervention, from different parts of the country, and they shared exactly how they were helped to keep their businesses afloat.

Betty Kemigisha Turyatemba, Proprietor of New Foundation Primary School

I have been a customer of PostBank for about 20 years now, and thus far, I appreciate the services of the Bank towards my business. Prior to the COVID-19 pandemic, in 2020, I had acquired a loan from the Bank, and rightly so, circumstances made it complicated to continue paying off the loan smoothly.

Fortunately, amidst uncertainty, we were relieved when the Bank gave a grace period and rescheduled our loan payment as a school. The effects of the pandemic were that our school could not collect any revenue in form of school fees because all schools were put on lockdown. The first rescheduling lasted for six months, and this really went a long way in helping us re-adjust means of paying back the loan.

However, as a country we were put under another lockdown spell, and again schools suffered the more. Thankfully, PostBank still gave us a grace period of six more months without remitting loan payments. This period lasted until 2022, when schools were finally opened.

To make the loan rescheduling even more favorable and considerate, we were given six months after the reopening of schools, to allow us to get back on our feet as a school and collect revenue from school fees.

Paul Mumya Proprietor Kapchorwa Modern School.

I have been in the business of managing and running this school for close to 28 years now, a journey that I must say, has been fruitful.

Together with my wife and business partner, Joyce Kibone Mumya, we have over the years tremendously transformed the school with good performance and grades.

Our relationship with PostBank started around 2006, when we became customers. The relationship grew stronger when we gave the Bank space on one of our buildings in Kapchorwa to set up a branch. In the same period, we acquired our first loan, which helped us set up more buildings for the school.

Fast forward, in 2018, PostBank gave us another loan of UGX. 120 million, which we planned to use for the further development of the school. The payment schedule was termly, and we were moving along quite smoothly, until the advent of COVID-19 in 2020.

The grace period was set at 18 months, as we focused on ensuring recovery from the lockdown. I thank PostBank for this gesture because it relieved us of the pressure and helped us stay in business once schools resumed.

However, as a country we were put under another lockdown spell, and again schools suffered the more. Thankfully, PostBank still gave us a grace period of six more months without remitting loan payments. This period lasted until 2022, when schools were finally opened.

Betty Kemigisha

Eva Muliisa, Director of Dominion Nursery & Primary School, Kasokoso

To begin with, I want to appreciate PostBank for the financial support they have rendered us thus far.

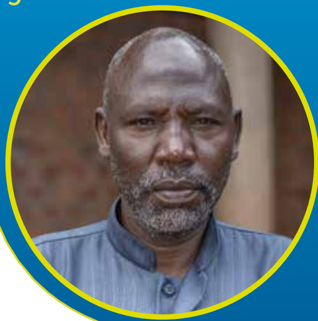
I have been a customer of the Bank since the inception of the school, and for that long, the Bank has walked the journey with me, even when times have been tough.

Speaking about tough times, when COVID-19 hit, in 2020, we were faced with looming uncertainty and for a long period, no one seemed to be sure about the future.

To make the situation more disturbing, the school had a pending loan with the Bank, prior to the advent of the pandemic. The loan had helped us set up a new classroom block and construct decent toilets for the school.

Lost in despair, PostBank reached out to us, and we agreed that my loan would be rescheduled for a period of one year. Upon the expiry of this period, I was given an extra year, due to the extension of the lockdown.

This margin of freedom allowed me to prepare for survival of the school after the pandemic and keep the school alive.



Boi Francis J, Proprietor of Milestone Star High School

I founded Milestone Star High School in 2013, in Bulambuli district, with lower secondary section, and incidentally, this was the same year I became a customer of PostBank. In 2018, I embarked on the journey of developing the school, and to realise this, I acquired a loan from PostBank.

It was all well at the school, until 2020, when hell broke loose. The upheaval was caused by the corona virus pandemic, which crippled business at the school.

Considering how devasted fellow players in the education business were at that time, my hopes of paying off my loan with PostBank shrunk further. Nevertheless, the Bank deemed it prudent to come to our rescue in such times of despair.

The intervention to this effect was that PostBank rescheduled our loan to a much later period.

This enabled us to finish up the infrastructural development of the school without having to worry about repayment of the loan in the middle of a pandemic.

Francis Lutalo
Head Business Technology

Enhanced customer experience

Protecting our customer data with cyber security GRI 418

Customer Centric Cybersecurity
We believe that Cybersecurity is a discipline at the intersection of people, processes, and technology. In banking, service delivery can be interrupted and even compromised when a system cannot be used or trusted because of a cyberattack. That means cybersecurity in banking involves more than securing systems and data. It includes protecting customer safety and privacy. We are always mindful that there is a customer at the end of everything we do.

At PostBank, we are on a journey toward advancing cybersecurity maturity in our products, operational technology (OT) and enterprise information technology (IT).

Cybersecurity preparedness
We operate a cybersecurity operations center (CSOC) and have dedicated support from a third party CSOC for 24/7/365 cybersecurity monitoring and response. Both CSOCs are responsible for:

- Cybersecurity monitoring.
- Threat hunting and threat intelligence.
- Incident management.
- Proactive and preventive controls.

Investing in cybersecurity
As cyberthreats continue to evolve, organizations must adapt and continuously improve. The following 2023 initiatives exemplify our commitment to making PostBank products, operations, and IT more secure and resilient.

Across the Bank **Extend our cybersecurity community of practice** Advance the Bank's cybersecurity maturity by embedding cyber expertise in key functional areas, including IT and R&D.	**Third party risk management** – Implement a third-party risk management framework to effectively mitigate supply chain cybersecurity risks.	**Product Security** **Security by design** – Continue to strengthen our product development capabilities to safeguard PostBank products.	**IT Security** **Implement advanced cybersecurity technologies** – Continue implementing a suite of advanced cybersecurity technologies that will increase the Bank's overall security posture.
Cybersecurity Certification In 2023, we plan to pursue ISO/IEC 27001:2022 and PCI -DSS v4 certification to demonstrate that our Information Security Management System (ISMS) conforms to internationally recognized cybersecurity standards.	**Data Protection** Implement a data governance framework and accompanying procedures and technologies to manage the collection, processing, and sharing of customer and employee data across the Bank.	**Software bill of materials (SBOM)** Drive automation in vulnerability monitoring and accelerating response and communications for customers.	**Zero trust architecture** This approach protects PostBank and our customers by managing and granting access based on the continuous verification of identities, devices, and services.

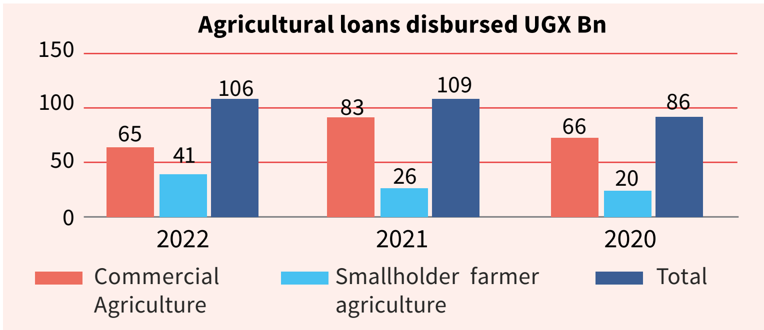
Digital initiatives undertaken by the Bank

- Upgrade of Core Banking Solution.
- Upgraded switch and payment hub.
- Increased distribution network 50 to 58 branches.
- Social media platforms – to strengthen our position as a digitally forward-looking Bank.
- Roll out of Data Warehouse & Business Intelligence Application.

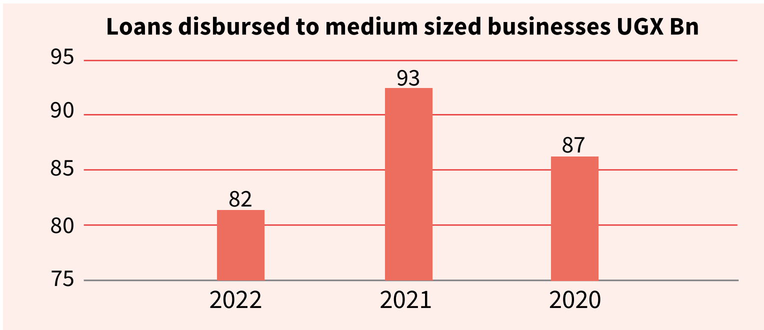
Our license to operate

We demonstrate our commitment towards financial inclusion through our lending practices. Over 50% of our Total Assets (2021: 60%) is allocated to providing our customers with the finances they need to advance their livelihoods. With an average loan size of less than UGX 10 million, more and more underbanked Ugandans see as a viable partner for their economic transformation.

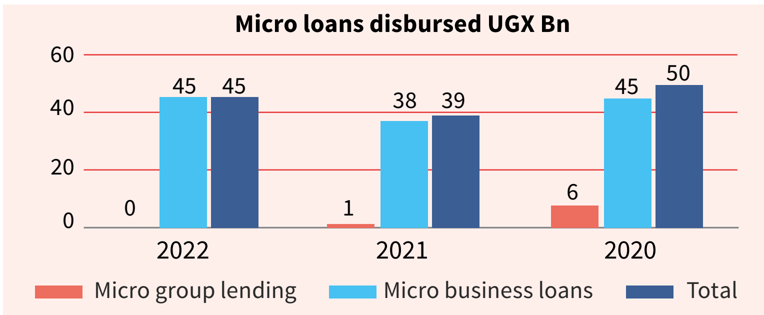
11,922 (2021: 10,840) of our smallholder and commercial agricultural loan clients have been able to access the finances to produces food for millions of Ugandans.



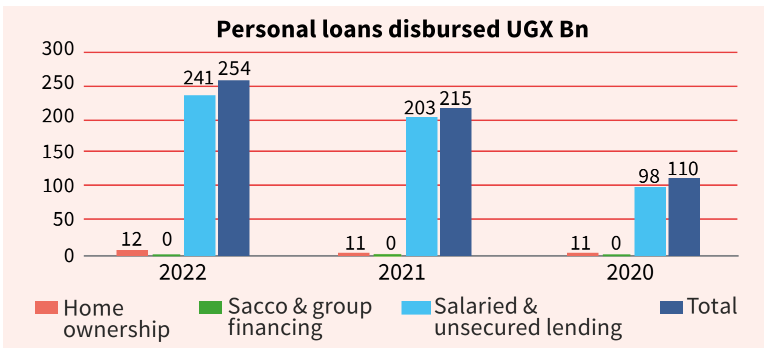
1,657 (2021: 2,273) MSME's look to us as vital business partners in their growth and development.



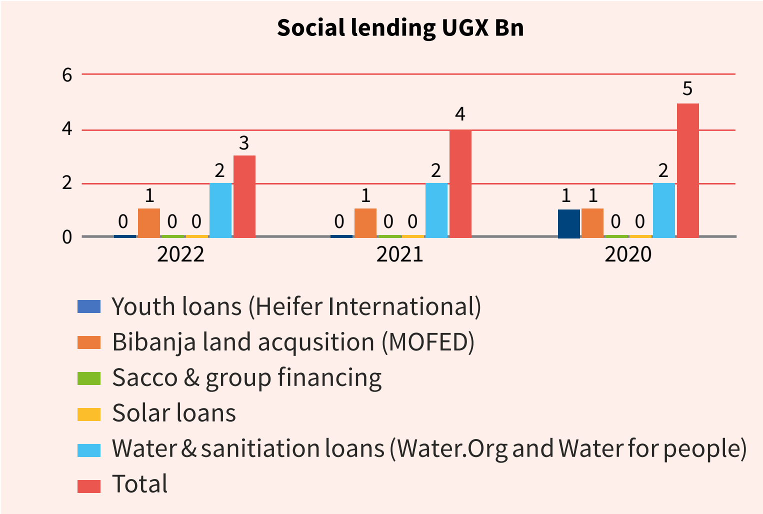
Small business owners face significant challenges in raising the finances for their operations. We have walked growth journey with 8,711 (2021: 10,851) small business owners.



We have made it possible for over 30,000 (2021: 29,000) individuals to access the financing for their homes and economic revolution.



Our license to operate is hinged on the solutions we provide to the financially excluded. 627 (2021: 969) loans were disbursed to the youth through partnerships and our initiatives to include the excluded. We have also tackled renewal energy, water and sanitation.



Outlook for 2023 and beyond

Short term	Medium term	Long term
• Roll out existing products with renewed value. • Highlight key products and services for financial inclusion and social and economic transformation. • Create brand strategies to bolster our brand image as the peoples bank.	• Enhance our digital banking solutions to ease banking experience. • Provide even more opportunities for the unbanked and financially excluded to access our services. • Adopt strategies that will align with NDP III and the UN SDG's.	• Impact our communities in a positive manner. • Develop a safe, trusted, and stable financial ecosystem for our clients.

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brenda.nakyanzi@postbank.co.ug
**To qualify as a member, you must have been confirmed into the service of the Bank/after probation.

Intellectual Capital

Our intellectual capital refers to our 'know how'. This includes the knowledge, processes, policies, and procedures collectively 'resources' that we have built up over the years to deliver services to our customers in a way that only we can. We continually invest in acquiring knowledge through employee training which is converted into our unique way of doing what we do best, 'including the excluded'.

Sustainable value creation through intellectual capital

Our approach

Our belief is that our economic value is not solely derived from our physical assets and income-generating assets, but also from our ability to effectively manage and utilize these assets.

This involves extracting the highest possible value and efficiency from our resources, staying relevant to stakeholder needs, and remaining true to our purpose.

We cultivate intellectual capital through robust process flows, partnerships with other institutions, and a culture that encourages learning and innovation.

We then build upon this foundation by increasing efficiency through the development of new products and enhancements to our systems and processes.

Key inputs

- Investments in technology and innovation.
- Good governance practices.
- Proprietary policies, processes and procedures that allow us to do things our way.
- Agile strategy and strategy setting process.

Key outputs

- Maintain social license to operate.
- Customer-centric service delivery .
- Fair and equitable tender process.
- Ethical management systems.

Strategies to enhance value

- Maximize intellectual capital through targeted recruitment, training, and retention.
- Enhance our business policies, procedures, and processes to deliver services to the financially excluded.
- Invest in information technology assets.
- Build an innovation-based culture.

What intellectual capital means to PostBank

Our belief is that intellectual capital differs from human capital in that it can be replicated and disseminated. It defines how we conduct our operations, what distinguishes us from others, and it serves as a crucial catalyst for long-term growth. Our intellectual capital encompasses intangible assets such as our tacit knowledge, customer loyalty, brand and reputation, internal systems and processes, business ethics, corporate values, policies, and our corporate culture. All of these elements are essential in generating value for our stakeholders.

Value created

- Strong brand and reputation.
- Increased customer trust and satisfaction in our way of doing business.

Key challenges in 2022

- Competing capital projects including the associated tradeoffs.
- Resistance to new digital products and services.
- Sustaining brand value and identity.

Key Opportunities in 2022

- Improved decision making supported by enhancements in tech and data processing and analytical capability.
- Better stakeholder engagement.

Material Matters

Related stakeholders

Short to medium term strategic priorities

Score card

Average loan size
UGX 9.1 Mn (2021: 8.5 Mn)

Micro and small holder loans
UGX 86.2 Bn
(2021: 65.4 Bn)

Payments to people of concern (PoCs)
1.23 Mn payments
(2021: 903k)

Linkage to other capitals

Learning and development enhance knowledge, skills and experiences of our employees leading to improved operational efficiency.

Improving, systems, and processes results in improved efficiencies.

Building strong reputation through values, ethics, and governance.

Investments in staff and brand image lead to strong and sustained financial results.

Our awareness of the impact of our operations leads to deliberate efforts to counter or minimise them.

Contribution to SDG's

Developing our people's intellectual capital improves their employability and as a result ensures their economic growth.

Investments in digital infrastructure and technology lead to new ideas.

Better trained staff means less inequality between employees.

Ethical practices and governance lead to positive brand reputation.

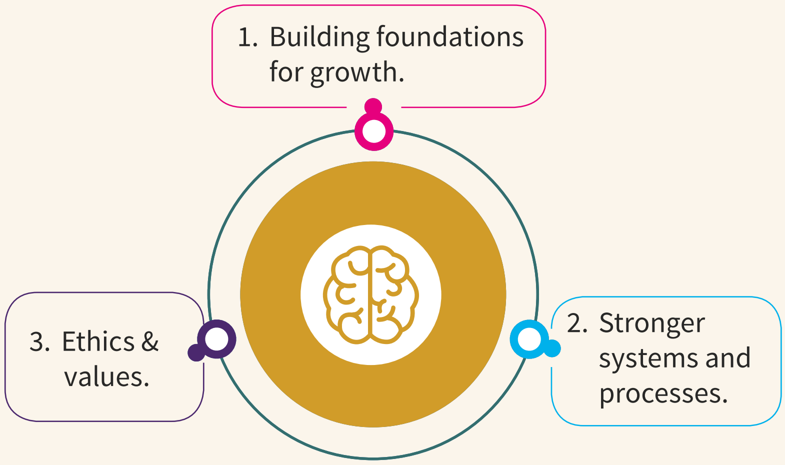
Trade offs

	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L	S	M	L
Investment in learning and development																		
Investment in customer experiences	▼	▲	▲	▲	▲	▲					▲	▲						
Deploying right talent to serve the customers	▼	▲	▲	▲	▲	▲												
Developing skills and competencies	▼	▲	▲	▲	▲	▲	▲	▲	▲									
Expanded digital infrastructure																		
Enhancing customer experience and convenience	▼	▲	▲	▲	▲	▲				▲	▲	▲						
Financial inclusion	▲	▲	▲							▲	▲	▲						
Investments in digital infrastructure	▼	▲	▲	▲	▲	▲					▲	▲						
New infrastructure equipment	▼	▲	▲	▲	▲	▲												
Investments in new and enhancing digital technology																		
Upgrades to systems and processes	▼	▲	▲	▲	▲	▲												
Improved efficiency and operational excellence	▲	▲	▲							▲	▲	▲						
Investments in digital technology	▼	▲	▲	▲	▲	▲					▲	▲					▲	▲
Cost savings due to improved productivity	▲	▲	▲															
Reduction in paper utilization	▲	▲	▲													▲	▲	▲
Less manual processes	▼	▲	▲															
New skills and innovations	▲	▲	▲	▲	▲	▲												

S - Short-term M- Medium -term L – Long term

▲ Value increase ▼ Value decrease – Value preservation

Drivers of Sustainable Value Creation



1. Building foundations for growth

We offer affordable and sustainable financial services to drive financial inclusion for social and economic development. To be able to deliver on our strategic intent, we have carefully crafted our brand image along being 'the peoples bank' and 'the farmers bank'. Our people have developed the right skills, competencies, and experiences to deliver services to our customers in a way that only we can. Our customers and stakeholder demand access to affordable financial products and services for all Ugandans and we have listened by deliberating building a foundation that enables us to execute our strategy.

The peoples bank and farmers bank

To serve the people, you have to get closer to the people. We have increased our distribution network through investments in manufactured capital and ensured that there is sufficient human capital to deliver services in our new branches. Integrated thinking remains at the core of everything we do at PostBank. Intellectual capital is continually considered when we consider risks and opportunities and the relationships between capitals including tradeoffs.

Our rich technical know-how means that we are able to leverage on multiple capitals to meet the needs of our customers in our way.

Input

How we maximise our tacit knowledge:
- Leverage on diverse workforce to serve diverse customer base.
- Maintain high staff retention rates to prevent erosions of our intellectual capital.
- Train new staff and refresh and enhance existing staff on the needs of our customers and how to meet them.
- Appraise staff on metrics that matter including loans disbursed, loan size, new depositors, People of concern served etc.

Output

- Household name among Micro, Small and Medium Size Enterprises (MSME's).
- Go to bank for farmers (UGX 41 Bn in small holder loans (2021: UGX 26 Bn)
- Average loan size below UGX 10 million.
- Ability to quickly reach and serve people of concern (Pcos).
- Country wide presence (including hard to reach areas).

Building our brand image

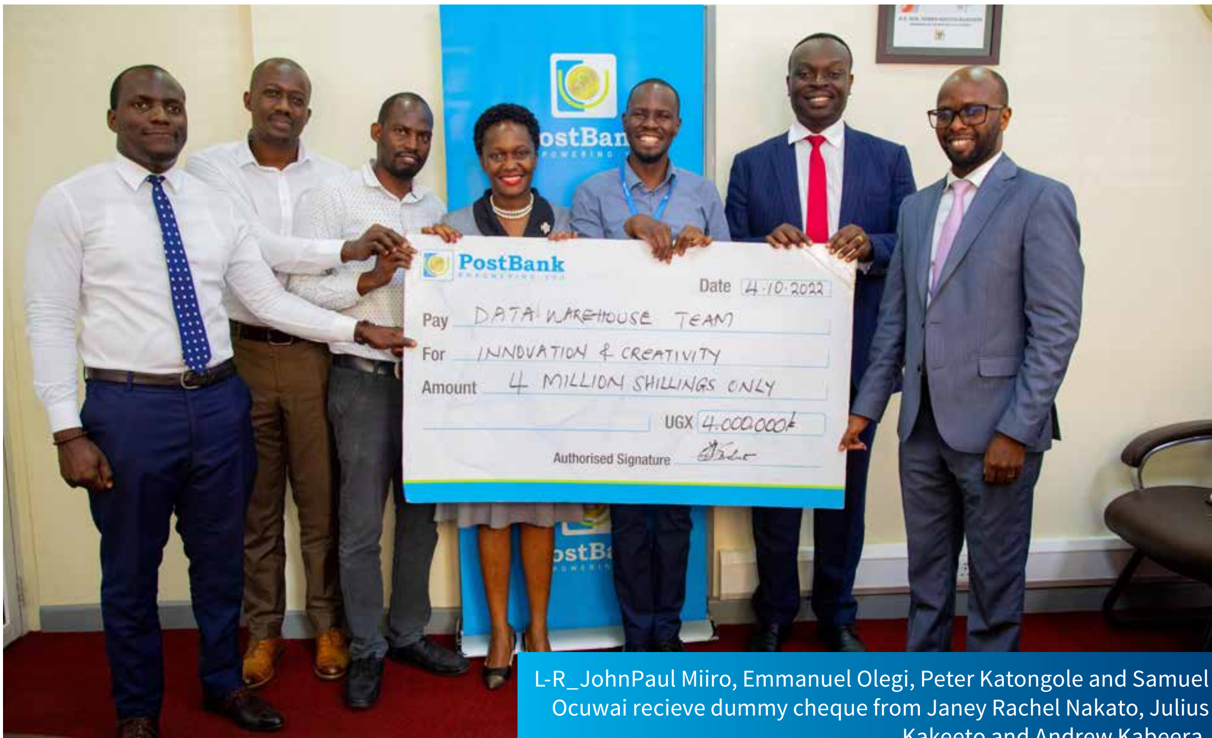
Our advertising methods are targeted towards a broad spectrum of our clients with a bias for MSME's and smallholder farmers. We employ both traditional and digital media to provide the best reach and visibility to our brand. PostBank is present on mass media, social media, web-based platforms, and billboards across Uganda. We also carry out promotional campaigns, sponsorships, and exhibitions where we have sponsored or co-sponsored various events. All of these activities ensure that our solutions are known and ultimately accessed by our existing and potential clients.

2. Stronger systems and processes

Bolstering technology and innovation

Technology and innovation are key elements of our futuristic intellectual capital and determine how the PostBank of tomorrow is delivered to our stakeholders. Our investments in technology are implemented in a manner that follows regulatory requirements, meets our strategic objectives, and goals and delivers safe and secure services to customers while maximizing user experience.

Technology project	Why we undertook the project
Finacle upgrade	• Maximise Tier 1 business opportunities while ensuring compliance with regulations. • Enhanced security for bank and customers. • 24/7 processing means even more customers can be included and served than before.
ATM switch	• Improved functionalities enhance customer convenience and experience. • Stronger cyber security and risk management build confidence in our systems.
Data warehouse	• We eliminated data silos to establish a single source of truth for better decision making and strategy setting. • Enhanced analytical capabilities give us the information we need for responsive client service.



L-R_JohnPaul Miiro, Emmanuel Olegi, Peter Katongole and Samuel Ocuwai recieve dummy cheque from Janey Rachel Nakato, Julius Kakeeto and Andrew Kabeera.

Upgraded processes

To achieve sustained value and maintain the trust and confidence of our customers and stakeholders we have undertaken several improvements to our processes including policies and procedures. Each of the upgrades were guided by customer centricity that led to responses only we can give. These changes are detailed throughout our report.

3. Ethics and values GRI 102 -16

We are guided by a strong set of values, including trust, mutual respect, integrity, and creativity. These values have been refined over time and serve as a cornerstone for our corporate vision, mission, and actions. They have helped shape our corporate culture and define our ethos, identity, and philosophy. Our commitment to these values is integral to our overarching objective of promoting financial inclusion for the betterment of society. Integrity is the fundamental principle that guides all our transactions with stakeholders and is regarded as a social responsibility.

The Board is responsible for upholding ethical behavior, and policies and processes have been established throughout the Bank to ensure that employees adhere to the set standards. We expect all staff to exhibit ethical behavior in all their transactions, and we regularly review our internal standards, codes, control mechanisms, and regulatory and compliance requirements to ensure that they are aligned with best practices and regulatory authority requirements.

The Board recognizes the importance of risk management and compliance as strategic investments, and we aim to foster a risk-conscious culture. To achieve this, we have implemented a Three Lines of Defense framework that promotes a values-based risk awareness culture, which forms the basis for compliance and accountability. We continually strengthen this framework by improving our corporate governance and maintaining a robust risk management and compliance system.

Outlook for 2023 and beyond

Short term	Medium term	Long term
• Exploit upgraded system and data processing capabilities to deliver new and enhanced products, services, and experiences. • Improve interface between bank systems for faster processing and turnaround times. • Leverage on wider distribution network to allow our customers carry out transactions country wide.	• Build innovation driven culture. • Bolster operational excellence through digital transformation.	• Become the undisputed people and farmers' bank.

Natural Capital

Natural capital refers to a collection of natural assets, including land, air, water, and all living things, that exist in our world. These assets provide natural resource inputs and environmental services that are essential for economic production.

What natural capital means to Postbank

Natural capital and ecosystem services, such as air, water, energy, and the natural environment, are critical to our operations. We acknowledge the vulnerability of natural capital and have therefore taken steps to preserve and sustain it by exploring sustainable alternatives for a low-carbon economy.

Natural asset	UN SDG	How we have minimized our impact
Land – smaller new branch size.	11 SUSTAINABLE CITIE AND COMMUNITIES	We have opted for a smaller design for new branches to ensure a thoughtful and only if necessary approach to our expanded branch network.
Electricity – 1.5 Mn Kw used (2021: 999 k Kw).	7 AFFORDABLE AND CLEAN ENERGY	We have installed energy efficient electrical components during the refreshment of existing office facilities and new branches. We are committed to responsible consumption with a view to conserving for future generations. We also encourage our customers to use renewable energy through our solar loans (2022: 31 loans, 2021: 42).
Water consumption - 23.4 million litres used (2021: 21.3 million litres used)". GRI 303 -1.	6 CLEAN WATER AND SANITATION	Every effort is being made to reduce our water consumption in the coming year. We have identified innovative ways to prudently use water and ensure that our employees are on board with our practices. We also support our customers in the improvement of access to safe, clean, and quality water through our water and sanitation loans (2022: UGX 2 Bn, 2021: UGX 2.3 Bn).
Paper – 34,850 kgs of paper used (2021: 34,235 kgs).	13 CLIMATE ACTION	Our digital transformation journey includes moving us from a 'paper light' to a 'paperless' organisation.
Fuel 289,670 liters of fuel used (2021: 270,662 liters).	13 CLIMATE ACTION	We encourage our staff to rationalize the use of our vehicles and backup power systems (generators) while a work.

We believe that safeguarding our planet and ensuring sustainable long-term value creation for the Bank go hand in hand, and this perspective informs our approach to managing natural capital.

GRI Index

Our integrated report has been prepared with reference to the following GRI guidelines, under the core criteria.

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102-43	Approach to stakeholder engagement	55
102-44	Key topics and concerns raised	55
102-46	Defining report content and topic Boundaries	10,11
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Economic
Economic importance
GRI 103: Management approach

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103-2	The management approach and its components	67-77
103-3	Evaluation of the management approach	67-77

GRI 201: Economic performance

GRI standard	Disclosure	Page number
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103-1	Explanation of the material topic and its boundary	67-77
103-2	The management approach and its components	67-77
103-3	Evaluation of the management approach	67-77
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Indirect economic impacts **GRI 103: Management approach**		
103-1	Explanation of the material topic and its boundary	67-77
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202-2 Market presence		121
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Anti-competitive behaviour **GRI 103: Management approach**		
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103-2	The management approach and its components	67-77
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GRI 302: Energy		
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Training and education **GRI 103: Management approach**		
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103-2	The management approach and its components	67-77
103-3	Evaluation of the management approach	67-77
GRI 404: Training and education		
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404-2	Programmes for upgrading employee skills and transition assistance programmes	136
404-3	Percentage of employees receiving regular performance and career development reviews	136
GRI 405: Diversity and equal opportunity		
405-2	Ratio of basic salary and remuneration of women to men	130
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7 FINANCIAL STATEMENTS


CWQT
BOTJ
TRF
UIO
DZRD
VWQ
KNJ
PLMN
NCG
99.0
-0.82
-32.0
+75.0
-17.0
-34.0
+56.0
+83.0
-0.82%
-32.0%
+75.0%
-17.0%
-34.0%
+56.0%
+0.98%
-65.0%
+83.0%

CELEBRATING OUR PAST. TOASTING TO THE FUTURE

Corporate Information

DIRECTORS

Mr. Andrew Otengo Owiny	Board Chairperson
Mr. Lawrence Kasenge	Board Member
Ms. Beatrice Lagada	Board Member
Ms. Faridah Mukasa Kasujja	Board Member
Mr. Joseph Areu	Board Member (Appointed on 1 December 2022)
Mr. Julius Kakeeto	Managing Director
Mr Andrew Kabeera	Executive Director
Mr. Francis Onebe	Board Member (Resigned 14 January 2022)

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

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

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

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

Directors' Report

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

CORPORATE PROFILE

PostBank 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. PostBank 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. PostBank Uganda Limited has 58 branches, 14 mobile units, 525 agents, and 59 Automatic Teller Machines.

1. PRINCIPAL ACTIVITIES

The Bank is engaged in the business of commercial banking and the provision of related services as licensed under the Financial Institutions Act, 2004,as amended.

2. RESULTS AND DIVIDENDS

The profit for the year ended 31 December 2022 of Ushs15,164 million (2021: Ushs 12,236 million) has been transferred to retained earnings. During the year, the Bank issued bonus shares at par value of Ushs 10,000 totalling Ushs 12,236 million out of retained earnings. (2021: 1,845,595 shares at par value of Ushs 10,000 totalling Ushs 18,455 million).

The Directors do not recommend the payment of dividends. (2021:Nil)

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 173. 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 37 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

5. 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 2022, PricewaterhouseCoopers Certified Public Accountants was appointed to act on behalf of the Auditor General.

6. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 7 March 2023.

BY ORDER OF THE BOARD

COMPANY SECRETARY
7 March 2023

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 accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Ugandan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit in accordance with International Financial Reporting Standards(IFRS) and have been prepared in the manner required by the Ugandan Companies Act. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and for such internal control as 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 have assessed the Company's ability to continue as a going concern. In performing this assessment, the Directors have taken note of their intent to increase the minimum paid up capital of the Bank to Ushs 120 billion by 30 June 2023 in accordance with the Bank's Capital restoration plan.

The Directors hereby report that nothing has come to their attention to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

The financial statements were approved by the Board of Directors on 7 March 2023 and signed on its behalf by:

Director

Director

Director

Secretary

REPORT OF THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF PostBank UGANDA LIMITED FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2022

THE RT.HON.SPEAKER OF PARLIAMENT

Introduction
In accordance with section 23 of the National Audit Act (NAA) 2008, I appointed M/S PriceWaterhouseCoopers Certified Public Accountants, to audit the financial statements of PostBank 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 PostBank Uganda Limited ("the Bank") for the financial year ended 31st December 2022, set out on page 180 to 242, Which comprise the statement of financial position as at 31st December 2022,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 PostBank Uganda Limited as at 31st December 2022,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 judgement, was of most significance in my audit of the financial statements of the bank for the year ended 31st December 2022.

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 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 22 of the financial statements, the Bank has estimated allowances of for expected credit losses ("ECL") on gross loans and advances of UGX.17,032 million as at 31st December 2022 (2021: UGX.13,571 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 judgement 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; and • determination of the forward-looking information incorporated in the estimation of expected credit losses.	My audit procedures are summarized 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 of use. I also tasted 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 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; g. 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; h. I performed re-computations of provisions for ECL, on a sample basis, and compared my results to the output from the Bank's ECL model to evaluate the reasonableness of provisions for ECLs in these financial statements; and i. 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 financial statements doesn't 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 judgement and maintain professional skepticism through out the audit. I also,

- Identify and assess the risks of materials 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 to continue as a going concern. If I conclude

that a material uncertainty exists, I am required to draw attention in my auditors' 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, further events or conditions may cause the Bank to cease continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, 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 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 purpose 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

03rd April,2023

Statement of Comprehensive Income

	Notes	2022 Ushs '000	2021 Ushs '000
Interest income	7	**125,922,570**	117,315,817
Interest expense	8	**(25,292,076)**	(20,319,518)
Net interest income		**100,630,494**	**96,996,299**
Fee and commission income	9	**29,460,641**	24,506,875
Net trading income	10	**2,255,508**	910,223
Credit loss expense	12	**(10,723,471)**	(9,478,259)
Other operating income	11	**1,626,799**	1,773,972
Net operating income		**123,249,971**	**114,709,110**
Employee benefits expense	13	**(49,787,182)**	(45,880,847)
Depreciation and amortisation	14	**(13,101,165)**	(12,043,132)
Other operating expenses	15	**(39,900,069)**	(39,140,453)
Administrative and operating costs		**(102,788,416)**	**(97,064,432)**
Profit before income tax		**20,461,555**	**17,644,678**
Income tax expense	16	**(5,296,998)**	(5,408,861)
Profit for the year		**15,164,557**	**12,235,817**
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the year, net of tax		**15,164,557**	**12,235,817**
Earnings Per Share			
Basic and diluted	**17**	**1.491**	**1.533**

Statement of Financial Position

	Notes	2022 Ushs '000	2021 Ushs '000
ASSETS			
Cash and balances with Bank of Uganda	18	**99,282,113**	42,004,960
Placements and deposits with other banks	20	**102,282,411**	129,556,859
Government securities	19	**156,868,788**	30,750,452
Loans and advances to customers	22	**479,522,825**	454,864,620
Other assets	23	**13,353,883**	14,435,450
Receivables from business contracts	24	**2,535,299**	2,570,236
Intangible assets	25	**12,667,535**	5,835,577
Property and equipment	26	**54,259,598**	41,375,473
Right-of-use assets	27	**25,828,069**	23,898,520
Total assets		**946,600,521**	**745,292,147**
EQUITY AND LIABILITIES			
Liabilities			
Amounts due to other banks	28	**11,863,607**	1,962,352
Customer deposits	29	**689,053,152**	507,293,304
Current income tax payable	16	**791,020**	918,203
Other liabilities	32	**51,839,996**	49,293,701
Provisions	36 (a)	**793,734**	1,404,167
Borrowings	30	**53,162,542**	63,921,355
Grants	31	**1,185,217**	1,678,100
Deferred income tax liability	16	**2,294,104**	1,694,701
Total liabilities		**810,983,372**	**628,165,883**
EQUITY			
Share capital	33	**113,569,025**	98,006,879
Retained earnings		**19,095,183**	12,583,615
Regulatory credit risk reserve	21	**-**	3,438,315
Revaluation reserve	34	**2,952,941**	3,097,455
Total equity		**135,617,149**	**117,126,264**
Total equity and liabilities		**946,600,521**	**745,292,147**

The financial statements on pages 180-242 were approved for issue by the Board of Directors on 7 March 2023 and signed on its behalf by:

Director | **Director**

Director | **Secretary**

Statement of Changes in Equity

	Share capital Ushs'000	Revaluation reserve Ushs'000	Regulatory credit risk reserve Ushs'000	Retained earnings Ushs'000	Total equity Ushs'000
At 1 January 2021	76,045,528	3,295,205	703,251	21,340,160	**101,384,144**
Other comprehensive income:					
Profit for the year	-	-	-	12,235,817	**12,235,817**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**12,235,817**	**12,235,817**
Transactions with owners:					
Issue of shares for cash (Note 33)	3,506,303	-	-	-	**3,506,303**
Issue of Bonus shares (Note 33)	18,455,048	-	-	(18,455,048)	-
Transfer to retained earnings	-	(197,750)	-	197,750	-
Transfer to regulatory credit risk reserve (Noted 21)	-	-	2,735,064	(2,735,064)	-
At 31 December 2021	**98,006,879**	**3,097,455**	**3,438,315**	**12,583,615**	**117,126,264**
At 1 January 2022	98,006,879	3,097,455	3,438,315	12,583,615	**117,126,264**
Other comprehensive income:					
Profit for the year	-	-	-	15,164,557	**15,164,557**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**15,164,557**	**15,164,557**
Transactions with owners:					
Issue of shares for cash (Note 33)	3,326,328	-	-	-	**3,326,328**
Issue of Bonus shares (Note 33)	12,235,818	-	-	(12,235,818)	-
Transfer to retained earnings	-	(144,514)	-	144,514	-
Transfer from regulatory credit risk reserve (Noted 21)	-	-	(3,438,315)	3,438,315	-
At 31 December 2022	**113,569,025**	**2,952,941**	**-**	**19,095,183**	**135,617,149**

Statement of Cash Flows

	Notes	2022 Ushs '000	2021 Ushs '000
Cash flows from other operating activities			
Cash flows from operating activities	38 (a)	**52,985,700**	47,982,905
Increase in loans and advances to customers	22 (a)	**(38,728,847)**	(132,949,092)
Increase in customer deposits	28&29	**181,759,848**	58,316,685
Decrease in other assets	23&24	**(1,497,667)**	5,241,575
Increase in other liabilities	32	**314,928**	(4,163,093)
Increase in investment in government securities	19	**(126,393,787)**	17,672,188
Decrease in due from other Banks	20	**49,796,276**	51,047,380
Increase in due to other Banks	28	**9,901,255**	789,439
Interest paid on borrowings	30	**(4,298,857)**	(4,508,286)
Payment of interest on lease obligations	32 (b)	**(1,413,340)**	(1,881,117)
Income tax paid	16	**(4,824,778)**	(6,320,584)
Net cash flows generated from operating activities		**117,600,731**	**31,228,000**
Cash flows from investing activities			
Purchase of property and equipment	26	**(24,260,624)**	(20,065,055)
Purchase of intangible assets	25	**(4,671,787)**	(495,443)
Proceeds from sale of property and equipment	26	**-**	342,355
Net cash flows used in Investing activities		**(28,932,411)**	**(20,218,143)**
Cash flows from financing activities			
Proceeds from grants	31	**198,132**	1,022,299
Repayments from grants	31	**(423,479)**	(2,672,244)
Proceeds from borrowings	30	**-**	10,000,000
Repayments of borrowings	30	**(10,573,065)**	(9,471,358)
Repayment of principal component of lease liabilities	32 (b)	**(4,060,079)**	(3,730,295)
Issue of ordinary share capital	33	**3,326,328**	3,506,303
Net cash flows used in financing activities		**(11,532,163)**	**(1,345,295)**
Net increase in cash and cash equivalents		**77,136,157**	9,664,562
Cash and cash equivalents at the start of year		**47,087,886**	37,423,324
Cash and cash equivalents at the end of year	18	**124,224,043**	**47,087,886**

Notes

1. GENERAL INFORMATION

PostBank Uganda Limited ('the Bank') is a limited liability company, incorporated and domiciled in Uganda. The address of its registered office is: PostBank 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 rounded to the nearest thousand (Ushs '000).

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 5 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 2022

The following amendments to existing standards are effective for annual periods beginning on or after 1 January 2022.

However, these amendments have no impact on the Bank's financial statements.

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

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property plant and equipment 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. This amendment is effective for annual periods beginning on or after 1 January 2022.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract

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. This amendment is effective for annual periods beginning on or after 1 January 2022.

Annual improvements cycle 2018 -2020

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.

These amendments are effective for annual periods beginning on or after 1 January 2022.

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

IFRS 17 'Insurance Contracts' (Annual periods beginning on or after 1 January 2023. Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17)

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognized in profit or loss in the period in which they occur but over the remaining life of the contract. In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

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 2023)

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).

Amendments to IAS 12 'Income Taxes' Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Annual periods beginning on or after 1 January 2023. Earlier application is permitted)

The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (Annual periods beginning on or after 1 January 2023. Earlier application is permitted)

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. 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 (Ushs), which is the Bank's functional currency. All amounts are rounded to the nearest thousand ('000') 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

PostBank 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 World Food Programme (WFP), Danish Refugee Council (DRC), Community Road Empowerment Programme (CORE), Red Cross, Catholic Relief Society(CRS), Lutheran World Federation (LWF), Oxfam, World Vision and Rural Electrification Agency (REA). The commissions earned from these contracts do not attract any interest.

Contract balances

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

Receivables

Receivables are recognised only when PostBank'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 PostBank has a right to invoice the customer in the amount that corresponds directly with the value of PostBank'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 PostBank bills the customers for the number of beneficiaries paid, as such PostBank has a right to invoice the customer in the amount that corresponds directly with the value of PostBank's performance completed to date in accordance with IFRS 15. The Bank has maintained 100% for contract assets with REA which are overdue for more than 2 years amounting to only Ushs 400 million (2021: Ushs 400 million).

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.

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 2022. 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.

The details of these conditions are outlined below.

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 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.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; Or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

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 expected credit losses allowance is based on the credit losses expected to arise over the life of the asset (lifetime expected credit loss , 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.

Expected credit losses are recognised on the following: cash and balances with Bank of Uganda (note 18), due from Banks (note 20), and debt instruments at amortised cost (note 19), loans and advances to customers (22), and other assets included in the scope of IFRS 9 (note 24).

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. Expected credit losses 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 mechanics of the ECL method are summarised below:

Stage 1:

The 12 months 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.

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 four 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.

4.7 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.

4.8 Leases

4.8.1. 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.

4.9 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 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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 36. 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.

4.16 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.

4.17 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.

4.18. Mobile Money Float

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 40. 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 26.

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 19, Note 20, Note 22 and Note 18, 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 2022:

	Notes	2022 Ushs '000	2021 Ushs '000
Financial assets			
Measured at amortised cost:			
Cash and balances with Bank of Uganda	18	**99,282,113**	42,004,960
Due from Banks	20	**102,282,411**	129,556,859
Debt instruments at amortised cost	19	**156,868,788**	30,750,452
Loans and advances to customers	22	**479,522,825**	454,864,620
Other assets*	23	**5,702,770**	7,130,688
		843,658,907	664,307,579
Financial liabilities			
Financial liabilities measured at amortised cost:			
Amount due to other Banks	28	**11,863,607**	1,962,352
Customer deposits	29	**689,053,152**	507,293,304
Lease liabilities	32(b)	**23,861,484**	22,240,549
Other liabilities**	32(a)	**22,920,580**	22,855,057
Borrowings	30	**53,162,542**	63,921,355
		800,861,365	618,272,617

**Excludes prepayments, consumables, deferred employee benefits and security deposit assets.*

***Excludes provisions for legal cases and expected credit losses on off balance sheet items.*

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.

At 31 December 2022	US dollar Ushs'000	Pound Sterling Ushs'000	Euro Ushs'000	Kshs Ushs'000	Total Ushs'000
Assets					
Cash and Bank balances with the Central Bank	2,239,186	164,968	478,170	3,105	**2,885,429**
Due from Banks	3,533,533	133,775	249,733	117	**3,917,158**
Other assets	787	1,626	511	-	**2,924**
Total assets	**5,773,506**	**300,369**	**728,414**	**3,222**	**6,805,511**
Liabilities					
Customer deposits	6,340,995		331,553	-	**6,672,548**
Other Liabilities	33,427	14,889	198,132		**246,448**
Total liabilities	**6,374,422**	**14,889**	**529,685**	**-**	**6,918,996**
Net Exposure at 31 December 2022	(600,916)	285,480	198,729	3,222	**(113,485)**
At 31 December 2021					
Assets					
Cash and Bank balances with the Central Bank	9,097,109	207,340	379,911	5,633	**9,689,993**
Due from Banks	2,193,507	126,233	238,420	124	**2,558,284**
Other assets	26,765	1,738	445	-	**28,948**
Total assets	**11,317,381**	**335,311**	**618,776**	**5,757**	**12,277,225**
Liabilities					
Customer deposits	9,016,976	12,367	521,536	-	**9,550,879**
Total liabilities	**9,016,976**	**12,367**	**521,536**	**-**	**9,550,879**
Net Exposure at 31 December 2021	**2,300,405**	**322,944**	**97,240**	**5,757**	**2,726,346**

The table below summarises the sensitivity of the Bank's assets and liabilities to changes in the foreign exchange rates and the resulting impact on profit after tax, and equity:

Currency	Change in currency rate in %	2022 Carrying Amount Ushs'000	2022 5% appreciation/ depreciation Ushs'000	2021 Carrying Amount Ushs'000	2021 5% appreciation/ depreciation Ushs'000
Assets					
US dollar	+/-5%	5,773,506	288,675	11,317,381	565,869
Pound Sterling	+/-5%	300,369	15,018	335,311	16,766
Euro	+/-5%	728,414	36,421	618,776	30,938
Kshs	+/-5%	3,222	161	5,758	288
		6,805,511	**340,275**	**12,277,226**	**613,861**
Liabilities					
US dollar	+/-5%	6,374,422	318,721	9,016,976	450,849
Pound Sterling	+/-5%	14,889	744	12,366	618
Euro	+/-5%	529,685	26,484	521,536	26,077
		6,918,996	**345,949**	**9,550,878**	**477,544**

Currency	2022 Change in currency rate in %	2022 Effect on profit before tax Ushs'000	2022 Effect on equity Ushs'000	2021 Change in currency rate in %	2021 Effect on profit before tax	2021 Effect on equity Ushs'000
Assets						
US dollar	+10%	(60,092)	(42,064)	+10%	230,041	161,028
Pound Sterling	+10%	28,548	19,984	+10%	32,294	22,606
Euro	+10%	19,873	13,911	+10%	9,724	6,807
Kshs	+10%	322	226	+10%	576	403
		(11,349)	(7,943)		272,635	190,844

At 31 December 2022, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, pre-tax loss for the year would have been **Ushs 60 million** (2021: Ushs 230 million) higher/lower and Ushs **42 million** (2021:Ushs 161 million) higher/lower on Equity, mainly as a result of US dollar denominated receivables, payables and bank balances.

6.1.2 Interest rate

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 2022, if the interest rate had changed by 5%, post-tax profit for the year would have been Ushs 758 million (2021: Ushs 612 million) higher/lower and impact on Equity would have been Ushs 3,522 million (2021: Ushs 3,394 million) higher or 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 2022	Less than 3 months Ushs'000	3 to 12 Months Ushs'000	1 to 5 Years Ushs'000	Over 5 Years Ushs'000	Non-Interest Bearing Years Ushs'000	Total Ushs'000
Assets						
Cash and bank balances with Bank of Uganda (Note 18)	-	-	-	-	99,282,113	**99,282,113**
Government securities (Note 19)	3,982,384	152,886,404	-	-	-	**156,868,788**
Placements and deposits with other banks (Note 20)	18,289,960	83,992,451	-	-	-	**102,282,411**
Loans and advances to customers (Note 22)	47,952,282	108,162,499	262,424,410	60,983,634	-	**479,522,825**
Property plant & Equipment (Note 26)	-	-	-	-	54,259,598	**54,259,598**
Right of Use (Note 27)	-	-	-	-	25,828,069	**25,828,069**
Intangible Assets (Note 25)	-	-	-	-	12,667,535	**12,667,535**
Other assets (Note 23 &24)	-	-	-	-	15,889,182	**15,889,182**
Total assets	**70,224,626**	**345,041,354**	**262,424,410**	**60,983,634**	**207,926,497**	**946,600,521**
Off-balance sheet items (Note 36 (b))						
Amounts guaranteed	-	1,393,245	2,641,153	-	-	**4,034,398**
Letters of Credit	5,296,254	-	-	-	-	**5,296,254**
Commitments	-	749,357	3,524,410	-	-	**4,273,767**
Total undiscounted commitments and guarantees	**5,296,254**	**2,142,602**	**6,165,563**	**-**		**13,604,419**
Liabilities						
Customer deposits (Note 29)	157,875,632	167,708,503	363,469,017	-	-	**689,053,152**
Amounts due to other banks (Note 28)	11,863,607	-	-	-	-	**11,863,607**
Lease liabilities (Note 32 (b))	1,515,975	4,516,050	1,455,123	16,374,336	-	**23,861,484**
Other liabilities (Note 32)	-	-	-	-	32,248,855	**32,248,855**
Provisions (Note 36 (a))					793,734	**793,734**
Borrowings (Note 30)	3,815,211	10,949,800	32,820,266	5,577,265	-	**53,162,542**
Total liabilities	**175,070,425**	**183,174,353**	**397,744,406**	**21,951,601**	**33,042,589**	**810,983,374**
Interest repricing gap as at 31 December 2022	**(99,549,545)**	**164,009,064**	**(129,154,433)**	**39,032,033**	**-**	**(25,662,881)**
Interest repricing gap as at 31 December 2021	**8,711,403**	**21,031,127**	**(3,487,207)**	**(2,043,583)**	**-**	**24,211,740**

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, deposits from escrow accounts 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, financial and lease liabilities into relevant maturity groupings based on the remaining period at 31 December 2022 to the contractual maturity date.

At 31 December 2022	On demand Ushs'000	Less than 3 months Ushs'000	3 to 12 months Ushs'000	1 to 5 Years Ushs'000	Over 5 years Ushs'000	Total Ushs'000
Assets						
Cash and bank balances with Bank of Uganda	99,282,708	-	-	-	-	**99,282,708**
Government securities	-	3,982,384	152,886,404	-	-	**156,868,788**
Placements and deposits with other banks	7,271,877	11,018,083	83,992,451	-	-	**102,282,411**
Loans and advances to customers	19,180,913	28,771,369	108,162,499	262,424,410	60,983,634	**479,522,825**
Other assets	-	5,702,700	-	-	-	**5,702,700**
Total assets	125,735,498	49,474,536	345,041,354	262,424,410	60,983,634	843,659,432
Off-balance sheet items						
Amounts guaranteed	-	1,393,245	1,156,283	1,484,870	-	**4,034,398**
Letters of Credit	-	5,296,254	-	-		**5,296,254**
Commitments	-	749,357	1,962,302	1,562,108	-	**4,273,767**
Total undiscounted commitments and guarantees	**-**	**7,438,856**	**3,118,585**	**3,046,978**		**13,604,419**
Liabilities						
Customer deposits	124,693,741	33,181,891	167,708,503	363,469,017	-	**689,053,152**
Amounts due to other banks	11,863,607	-	-	-	-	**11,863,607**
Lease liabilities	-	996,060	33,202	4,462,966	18,151,595	**23,643,823**
Other liabilities	1,155,690	1,733,535	8,667,674	17,335,348	-	**28,892,247**
Borrowings	1,001,409	2,813,802	10,949,800	32,820,466	15,265,391	**62,850,868**
Total undiscounted financial liabilities	**138,714,447**	**38,725,288**	**187,359,179**	**418,087,797**	**33,416,986**	**816,303,697**
Net liquidity position	**(12,978,949)**	**18,188,104**	**160,800,760**	**(152,616,409)**	**27,566,648**	**40,960,154**

At 31 December 2021 **Assets**	On demand Ushs'000	Less than 3 months Ushs'000	3 to 12 months Ushs'000	1 to 5 Years Ushs'000	Over 5 years Ushs'000	Total Ushs'000
Cash and bank balances with Bank of Uganda	42,005,388	-	-	-	-	**42,005,388**
Government securities	-	-	30,771,873	-	-	**30,771,873**
Placements and deposits with other banks	44,625,963	24,332,795	60,598,101	-	-	**129,556,859**
Loans and advances to customers	13,420,281	3,742,419	97,403,379	327,313,375	31,165,824	**473,045,278**
Other assets	-	7,130,688	-	-	-	**7,130,688**
Total assets	**100,051,632**	**35,205,902**	**188,773,353**	**327,313,375**	**31,165,824**	**682,510,086**
Off-balance sheet items						
Amounts guaranteed	28,000	39,500	272,621	600,000	-	**940,121**
Commitments	90,000	315,950	1,124,350	1,986,949	-	**3,517,249**
Total undiscounted commitments and guarantees	**118,000**	**355,450**	**1,396,971**	**2,586,949**		**4,457,370**
Liabilities						
Customer deposits	57,701,918	36,486,113	136,978,547	276,126,727	-	**507,293,305**
Amounts due to other Banks	1,962,352	-	-	-	-	**1,962,352**
Lease liabilities	-	800,914	3,927,810	17,511,824	-	**22,240,548**
Other liabilities	460,638	581,000	12,655,152	16,438,630	-	**30,135,420**
Borrowings	-	977,363	10,697,102	33,962,357	18,284,533	**63,921,355**
Total undiscounted financial liabilities	**60,124,908**	**38,845,390**	**164,258,611**	**344,039,538**	**18,284,533**	**625,552,980**
Net liquidity position	**40,044,724**	**(3,284,038)**	**25,911,713**	**(14,139,213)**	**12,881,291**	**61,414,477**

6.2. Capital management.

The Bank monitors the adequacy of its capital using ratios established by the Financial Institutions Act 2004, as amended. 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.

1. 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, 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 monthly basis. The Bank is always required to maintain a core capital (Tier 1) of not less than 12.5% of total risk adjusted assets plus risk adjusted off balance sheet items and a total capital (Tier 1 + 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.

The Financial Institutions (Capital Buffers and Leverage Ratio) Regulations, 2020 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.

Tier 1 capital consists of equity comprising of paid-up share capital, share premium and retained earnings less intangible assets, deferred income tax assets and other deductions, such as foreign exchange gains. Tier 2 capital includes PostBank Uganda Limited's eligible long-term loans, and general provisions. Tier 2 capital is limited to 100% of Tier 1 capital.

The table below summaries the composition of regulatory capital and ratios for the Bank. The Bank complied with all of the externally imposed capital requirements to which they are subject.

	2022 Ushs '000	2021 Ushs '000
Core capital (Tier 1)		
Permanent shareholders' equity	**113,569,025**	98,006,879
Retained earnings	**19,095,183**	12,583,615
Less: intangible assets	**(12,667,535)**	(5,835,577)
Tier 1 capital	**119,996,673**	**104,754,917**
Supplementary capital (Tier 2)		
Revaluation reserve	**2,952,941**	3,097,455
Unencumbered general provisions for losses	**4,859,658**	4,565,089
Tier 2 capital	**7,812,599**	**7,662,544**
Total capital (Tier 1 +Tier 2)	**127,809,272**	**112,417,461**

In November 2022, the Minister of Finance Planning and Economic Development issued a statutory instrument raising the minimum paid cash capital requirements for banks from Ushs 25 billion to Ushs 120 billion by 31 December 2022 and Ushs 150 billion by 30 June 2024. The Directors have assessed the position as at 31 December 2022 which presented a shortfall of Ushs 6,430 million on the minimum paid up capital regulation. In line with the Financial Institutions Act 2004, as amended capital adequacy requirements, the Directors submitted and obtained the Bank of Uganda no objection to the capital restoration plan to cover this gap by 30th June 2023. Whereas conversion of retained earnings into paid up capital will result in compliance with the requirement of Ushs.120bn, the bank still has a shortfall on its core capital of Ushs.3.33 million.

The table below summarizes the composition of the risk-weighted assets of the Bank

	As at 31 December Nominal Amount			As at 31 December Risk weighted Amount	
	2022 Ushs '000	2021 Ushs '000		2022 Ushs '000	2021 Ushs '000
Cash and balances with Bank of Uganda (Note 18)	**99,282,113**	42,004,960	0%	**-**	-
Government securities (Note 19)	**156,868,788**	30,750,452	0%	**-**	-
Placements and deposits with other banks:					
Local banks (Note 20)	**99,488,102**	127,602,071	20%	**19,897,620**	25,520,414
Foreign banks (Rated A+) (Note 20)	**2,794,309**	1,954,788	50%	**1,397,155**	977,394
Loans and advances to customers*	**485,965,812**	456,508,885	100%	**485,965,812**	456,508,885
Property and equipment (Note 26)	**54,259,598**	41,375,473	100%	**54,259,598**	41,375,473
Right of use assets (Note 27)	**25,828,069**	23,898,520	100%	**25,828,069**	23,898,520
Contract assets (Note 24)	**2,535,299**	2,570,236	100%	**2,535,299**	2,570,236
Other assets (Note 23)	**13,353,883**	14,435,450	100%	**13,353,883**	14,435,450
Total assets	940,375,973	741,100,835		603,237,436	565,286,372
Off-Balance sheet (Note 36)					
Contingent Claims secured by cash collateral	**1,472,526**	-	0%	**-**	-
Guarantees and acceptance	**1,348,953**	940,121	100%	**1,348,953**	940,121
Performance bonds	**1,212,919**	-	100%	**606,440**	-
Letters of credit	**5,296,254**	-	20%	**1,059,251**	
Commitments	**4,273,767**	3,517,249	50%	**2,136,884**	1,758,625
Total Off-Balance sheet	13,604,419	4,457,370		5,151,528	2,698,746
Capital requirement basis	953,980,392	745,558,205		608,388,964	567,985,118
Market Risk Adjustment	**4,646,339**	7,993,984	100%	**4,646,339**	7,993,984
Total Risk Adjusted Assets	958,626,732	753,552,189		613,035,303	575,979,102

	2022	2021
FIA Capital Ratios		
Tier I capital	**19.57%**	18.19%
Tier I + Tier 2 capital	**20.85%**	19.52%
FIA ratios		
Core capital	**12.5%**	12.5%
Total capital	14.5%	14.5%

Leverage ratio

	2022 Ushs '000	2021 Ushs '000
Core capital (Note 6.2)--**A**	**119,996,673**	104,754,917
Total assets (Note 6.2)	**940,375,973**	741,100,835
Off balance sheet items (Note 6.2)	**13,604,419**	4,457,370
Total assets and off-balance sheet items--B	**953,980,392**	**745,558,205**
Leverage ratio -C=A/B	**12.6%**	**14.1%**
Prudential requirement	**6%**	**6%**

For purposes of the capital adequacy computation, loans and advances were determined in accordance with the FIA Act 2004, as ammended as follows:

	2022 Ushs '000	2021 Ushs '000
Gross Loans	**501,841,922**	473,614,651
Specific Provision	**10,349,932**	12,444,407
Suspended Interest	**5,526,180**	4,661,361
Net Loans	**485,965,811**	**456,508,884**

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 36

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 30 days and 90 days past due on its contractual payments for microfinance and commercial loans respectively. 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 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.

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 the place 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 Ushs 100 million or more, but less than Ushs 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 Ushs 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 12m ECL 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 bank assigns probabilities of 40% and 20% for base, pessimistic and optimistic case scenarios respectively.

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 2022, modification losses/gains were found immaterial and not recognised in the financials (2021: 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. 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.
d. The Bank also put into consideration how the pandemic affected the specific products or sectors.
e. The Bank carried out stressed PDs assessment to determine the impact of the pandemic on the forward-looking information (FLI).

6.3.10 Collateral and other credit enhancements

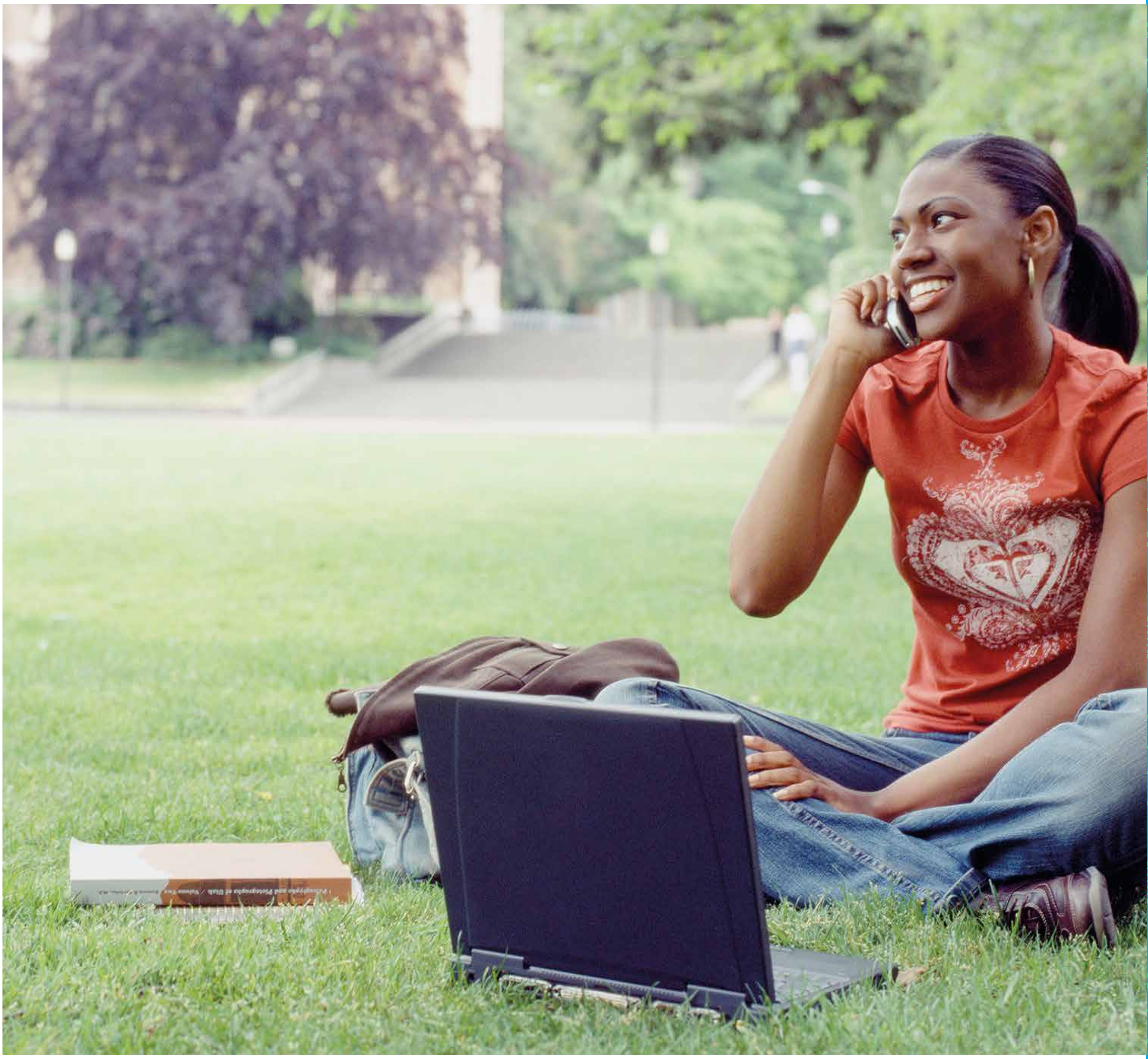
The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

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 and Bank deposits
d. Personal 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 table below shows 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 2022

	Total exposure to credit risk Ushs'000	Cash Securities Ushs'000	Property Ushs'000	Others Ushs'000	Total Collateral Ushs'000	Net exposure Ushs'000	Associated ECLs Ushs'000
Financial assets							
Cash and balances with Bank of Uganda (Note 18)	99,282,113	-	-	-	-	99,282,113	595
Placements and deposits with other banks (Note 20)	102,282,411	-	-	-	-	102,282,411	281,149
Government securities (Note 19)	156,868,788	-	-	-	-	156,868,788	296,872
Other assets (Note 23*)	5,702,770	-	-	-	-	5,702,770	-
Loans and advances to customers							
Agricultural Loans (Note 22)	108,328,249	55,949	387,063,359	-	387,119,308	278,791,059	1,887,392
Business Loans (Note 22)	129,858,194	1,397,105	411,632,346	-	413,029,451	283,171,257	2,310,199
Group loans (Note 22)	76,827	11,785	296,988	-	308,773	231,946	32,867
Personal Loans (Note 22)	248,536,074	2,348,069	82,592,758	-	84,940,827	(163,595,247)	12,500,447
Staff Loans (Note 22)	13,938,029	92,044	20,629,661	-	20,721,705	6,783,676	300,815
Total financial assets at amortised cost	**864,873,455**	**3,904,952**	**902,215,112**	**-**	**906,120,064**	**769,518,773**	**17,610,336**
Off balance sheet items							
Financial guarantees (Note 36 (a))	4,034,398	-	2,490,871	-	2,490,871	(1,543,527)	4,065
Letters of credit	5,296,254	-	8,969,165		8,969,165	3,672,911	-
Undrawn commitments	4,273,767	-	7,335,458	-	7,335,458	3,061,691	37,587
Total on and off balance sheet	**13,604,419**		**18,795,494**		**18,795,494**	**5,191,075**	**41,652**

The table below shows 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'000	Cash Securities Ushs'000	Property Ushs'000	Others Ushs'000	Total Collateral Ushs'000	Net exposure Ushs'000	Associated ECLs Ushs'000
Financial assets							
Cash and balances with Bank of Uganda (Note 18)	42,004,960	-	-	-	-	42,004,960	427
Placements and deposits with other banks (Note 20)	129,556,859	-	-	-	-	129,556,859	326,899
Government securities (Note 19)	30,750,452	-	-	-	-	30,750,452	21,421
Other assets (Note 23)	7,130,688	-	-	-	-	7,130,688	-
Loans and advances to customers							
Agricultural Loans (Note 22 (d))	111,857,061	1,201,923	480,598,011	-	481,799,934	369,942,874	1,126,439
Business Loans (Note 22(d))	135,141,929	1,287,264	522,012,741	-	523,300,005	388,158,076	3,138,566
Group loans (Note 22 (d))	1,747,795	398,097	2,654,027	-	3,052,124	1,304,329	344,393
Personal Loans (Note 22 (d))	208,744,688	996,713	101,569,671	-	102,566,384	(106,178,303)	8,812,643
Staff Loans (Note 22 (d))	15,553,806	184,663	30,031,126	-	30,215,789	14,661,983	149,139
Total financial assets at amortized cost	**682,488,238**	**4,068,660**	**1,136,865,576**	**-**	**1,140,934,236**	**877,331,918**	**13,919,927**
Financial guarantees	940,121	-	2,869,681	-	2,869,681	1,929,560	836
Undrawn commitments	3,517,249	-	7,387,096	-	7,387,096	3,869,847	3,083
Total	**4,457,370**		**10,256,777**		**10,256,777**	**5,799,407**	**3,919**

7. INTEREST INCOME

	2022 Ushs '000	2021 Ushs '000
Arising on:		
Debt instruments	**8,164,830**	7,574,035
Loans and advances to customers	**105,244,682**	98,215,207
Placements with other banks	**12,513,058**	11,526,575
	125,922,570	**117,315,817**

Interest income is recognised over a period of time.

8. INTEREST EXPENSE

	2022 Ushs '000	2021 Ushs '000
Savings accounts	**4,770,561**	3,260,771
Fixed deposits	**14,995,066**	10,516,396
Interest on borrowings (note 30)	**4,113,109**	4,661,234
Finance charge on leases (note 32 (b))	**1,413,340**	1,881,117
	25,292,076	**20,319,518**

9. FEE AND COMMISSION INCOME

Transactional fees and commissions	**20,344,076**	17,577,855
Other income from contracts with customers	**9,116,565**	6,929,020
	29,460,641	**24,506,875**

Transactional fees and commission are recognised at a point in time. Other income from contract customers relate to fees earned in exchange for contract services and is recognised over time.

10. NET TRADING INCOME

	2022 Ushs '000	2021 Ushs '000
Foreign currency trading income	**2,576,671**	1,076,409
Unrealised foreign exchange loss	**(321,163)**	(166,186)
	2,255,508	**910,223**

11. OTHER OPERATING INCOME

Grant income released to profit or loss (Note 31)	**267,535**	573,325
Other income	**1,359,264**	1,200,647
	1,626,799	**1,773,972**

12. CREDIT LOSS EXPENSE

Balances with central bank (Note 18)	**167**	(497)
Government securities (Note 19)	**275,451**	(308,975)
Placements with banks (Note 20)	**(45,750)**	(182,609)
Loans and advances to customers (Note 22)	**14,070,642**	12,774,830
Contract assets (Note 24)	**(3,070)**	(324,451)
Financial guarantees and commitments (Note 36)	**37,733**	(2,745)
Recovery of written off loans	**(3,611,702)**	(2,477,294)
	10,723,471	**9,478,259**

13. EMPLOYEE BENEFITS EXPENSE

	2022 Ushs '000	2021 Ushs '000
Wages and salaries	**34,267,640**	31,272,230
Pension and retirement benefits	**5,742,793**	5,301,227
Staff welfare	**4,451,899**	3,759,036
Subsistence allowance	**1,144,122**	827,799
Ammortisation of deferred benefits on staff loans	**426,651**	236,941
Staff allowances and incentive costs	**3,754,077**	4,483,614
	49,787,182	**45,880,847**

14. DEPRECIATION AND AMORTISATION

Depreciation on property and equipment (Note 26)	**6,362,956**	5,805,793
Depreciation on right of use assets (Note 27)	**4,584,991**	4,368,261
Amortisation of intangible assets (Note 25)	**2,153,218**	1,869,078
	13,101,165	**12,043,132**

15. OTHER OPERATING EXPENSES

Utilities	**1,572,285**	1,340,059
Maintenance costs	**3,619,143**	2,842,664
Stationery and supplies	**1,556,685**	1,461,295
Office expenses	**4,083,783**	3,047,452
Security expenses	**2,834,814**	2,772,931
Sales expenses	**3,057,764**	3,021,616
Computer expenses	**8,310,213**	7,018,358
Audit fees	**208,409**	160,000
Other professional expenses	**1,298,567**	864,332
Motor vehicle, generator and fuel expenses	**1,919,854**	1,300,426
Travel expenses	**1,265,185**	1,047,061
Marketing expenses	**2,068,468**	2,757,746
Communication costs	**203,253**	239,649
Bank charges	**222,212**	307,127
Directors' expenses	**1,199,995**	1,095,035
Operational losses	**69,015**	1,092,619
Credit Reference Bureau & recovery expenses	**371,905**	410,623
Deposit protection fees	**1,106,282**	799,527
Other operating costs	**2,046,833**	2,872,796
Agency Banking costs	**890,572**	1,269,574
Loss on disposal of fixed assets	**146,786**	192,483
Prepaid card costs	**417,576**	1,914,649
Contract expenses*	**1,430,470**	1,312,431
	39,900,069	**39,140,453**

*Contract expenses are field costs incurred in providing services under contracts with partners.

16. TAXES

	2022 Ushs '000	2021 Ushs '000
(a) Current income tax expense		
Current income tax	**4,697,595**	4,637,531
Deferred income tax charge	**599,403**	771,330
	5,296,998	5,408,861

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:

	2022 Ushs '000	2021 Ushs '000
Profit before income tax	**20,461,554**	17,644,678
Tax calculated at statutory tax rate of 30%	**6,138,466**	5,293,403
Tax effects of:		
Expenses not deductible for tax, and incomes not taxed at 30%*	**(1,848,285)**	(1,399,349)
Income taxed at 10%	**842,365**	-
Income taxed at 20%	**164,451**	1,514,807
Income tax expense	5,296,997	5,408,861

	2022 Ushs '000	2021 Ushs '000
(b) Current income tax payable		
At start of year	**918,203**	2,520,391
Prior year WHT	**-**	80,865
Current income tax charge for the year	**3,690,779**	3,122,724
Withholding tax on securities	**1,006,816**	1,514,807
Income tax paid	**(4,824,778)**	(6,320,584)
At end of year	791,020	918,203

(c) Deferred income tax liability

	At start of year Ushs'000	Charge to profit or loss Ushs'000	At end of year Ushs'000
Year ended 31 December 2022			
Deferred income tax liabilities			
Accelerated depreciation on Property, Plant and Equipment, and Right of Use Asset	8,460,962	2,891,620	11,352,582
Revaluation of assets	1,352,905	(43,354)	1,309,551
	9,813,867	2,848,266	12,662,133
Deferred income tax assets			
Lease liabilities	(6,673,139)	(485,305)	(7,158,444)
Provisions	(865,443)	124,131	(741,312)
Loan loss provisions	(338,032)	(1,666,504)	(2,004,536)
Unrealised foreign exchange losses	(4,602)	(141,602)	(146,204)
Impairment provisions on other financial assets	(237,950)	(79,583)	(317,533)
	(8,119,166)	(2,248,863)	(10,368,029)
Net deferred income tax liability	1,694,701	599,403	2,294,104

	At start of year Ushs'000	Charge to profit or loss Ushs'000	At end of year Ushs'000
Year ended 31 December 2021			
Deferred income tax liabilities			
Accelerated depreciation on property and equipment, and right of use assets	7,544,481	916,482	8,460,963
Deferred tax on revaluation of assets	1,437,991	(85,086)	1,352,905
Deferred income tax assets			
Lease liabilities	(5,943,847)	(729,292)	(6,673,139)
Provisions	(658,851)	(206,592)	(865,443)
Loan loss provisions	(974,446)	636,414	(338,032)
Unrealised foreign exchange differences	-	(4,602)	(4,602)
Impairment provisions on other financial assets	(481,957)	244,006	(237,951)
Net deferred income tax liability	**923,371**	**771,330**	**1,694,701**

17. EARNINGS PER SHARE

	2022 Ushs '000	2021 Ushs '000
Profit attributable to equity holders of the Bank (Ushs'000)	**15,121,203**	12,235,816
Weighted average number of ordinary shares in issue	**10,165,435**	7,983,877
Basic and diluted EPS (Ushs)	**1,491**	**1,533**

Earnings Per Share (EPS) is calculated by dividing net income attributable to the Bank's shareholders, by the weighted average number of ordinary shares outstanding during the year. There were no potentially dilutive shares as at 31 December 2022 (2021: Nil). Therefore, diluted earnings per share are the same as the basic earnings per share.

18. CASH AND BALANCES WITH BANK OF UGANDA

	2022 Ushs '000	2021 Ushs '000
Cash at hand	**38,008,374**	29,876,886
Balances with Bank of Uganda	**61,274,334**	12,128,502
	99,282,708	**42,005,388**
Provision for expected credit losses	**(595)**	(428)
	99,282,113	**42,004,960**
For purposes of the statement of cash flows, cash and cash equivalents comprises the following:		
Cash and balances with Bank of Uganda (as above)	**99,282,708**	42,005,388
Mobile money float (Note 23)	**2,465,257**	5,082,498
Placements and deposits due from other banks	**22,476,078**	-
	124,224,043	**47,087,886**

19. GOVERNMENT SECURITIES

Treasury bills	**17,500,664**	30,771,873
Treasury bonds	**139,664,996**	-
Provision for expected credit losses	**(296,872)**	(21,421)
	156,868,788	**30,750,452**

Government securities are debt securities issued by Bank of Uganda for a term of three months, six months or one year and two, three, five, ten, fifteen and twenty years for treasury bonds. The weighted average effective interest rates on treasury bills and bonds were 13.87% and 18.3% respectively. (2021: 13.14%,Nil). None of the government securities held by the Bank carries an original maturity of 90 days or less. 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.

20. PLACEMENTS AND DEPOSITS DUE FROM OTHER BANKS

	2022 Ushs '000	2021 Ushs '000
Placement with other banks	**94,881,886**	125,026,272
Deposits due from other banks	**7,681,674**	4,857,486
	102,563,560	129,883,758
Provision for expected credit losses	**(281,149)**	(326,899)
	102,282,411	**129,556,859**

The weighted average effective interest rate on deposits from other banks was 13.46% (2021:12.58%). Placements with other banks mature within 1 day to 30 days whilst fixed deposits do not exceed 12 months.

There were no transfers across stages and as such all the Instruments were classified in stage 1. Below are the gross amounts of balances held in banks:

Citibank Uganda Limited	**6,493**	147,396
Stanbic Bank Uganda Limited	**4,786,712**	2,042,369
Centenary Rural Development Bank	**94,160**	681,905
KCB Bank Uganda Limited	**10,072,485**	20,617,297
Ecobank Uganda Limited	**-**	5,000,657
Equity Bank Uganda Limited	**35,070,647**	22,455,369
Bank of Africa	**-**	31,312,845
United Bank for Africa	**5,008,219**	12,921,453
Cairo Bank Uganda	**-**	5,549,459
NCBA Bank Uganda Limited	**2,605,589**	2,187,711
Finance Trust Bank Limited	**-**	6,475,015
Opportunity Bank Uganda Limited	**10,973,152**	5,824,918
Pride Microfinance Limited	**25,245,705**	6,201,460
Finca Uganda Limited	**5,906,089**	6,511,116
Sparkasse Aachen Bank	**2,794,309**	1,954,788
	102,563,560	**129,883,758**

21. MOVEMENT IN REGULATORY CREDIT RISK RESERVE

	2022 Ushs '000	2021 Ushs '000
BoU impairment provision (a)		
Specific provision- FIA and MDI Act	**10,349,932**	12,444,407
General provision- FIA and MDI Act	**4,859,658**	4,565,089
	15,209,590	17,009,496
IFRS expected credit losses (b)		
Stage 3	**8,642,978**	6,842,575
Stage 2	**2,686,842**	1,597,294
Stage 1	**5,701,900**	5,131,311
	17,031,720	13,571,180
Regulatory credit risk reserve [(a) – (b)] *	-	3,438,316

*The regulatory credit risk reserve relate to the excess of BOU impairment provisions over IFRS 9 impairment provisions. As at 31 Dec 2022, the bank held higher IFRS 9 impairment provisions on loans thus no transfers made to regulatory credit risk reserves.

22. LOANS AND ADVANCES TO CUSTOMERS

	2022 Ushs '000	2021 Ushs '000
(a) Gross Loans		
Agricultural loans	**108,328,249**	111,857,061
Business loans	**129,858,194**	135,141,929
Group loans	**76,827**	1,747,795
Personal loans	**248,536,074**	208,744,687
Staff loans	**13,938,029**	15,553,806
Gross loans and advances	500,737,373	473,045,278
Less allowance for expected credit losses	**(17,031,720)**	(13,571,180)
Discount on staff loans-marked to market (Note 23)	**(4,182,828)**	(4,609,478)
	479,522,825	454,864,620
(b) Impairment allowance for loans and advances to customers		
At 1 January	**13,571,180**	7,376,512
Impaired accounts written off	**(10,610,102)**	(6,580,162)
Increase in provisions for the year (Note 12)	**14,070,642**	12,774,830
At 31 December	17,031,720	13,571,180

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 2022 and 31 December 2021. All write offs in stage under stage 1 and stage 2 are from subjective write off where the Bank Directors have assessed recoverability chances and found them to be zero .

(i) Total loans

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Gross carrying amount as at 1 January 2022	**352,009,655**	**71,109,423**	**49,926,200**	**473,045,278**
Disbursements	309,940,889	14,939,954	-	**324,880,843**
Repayments	(225,475,639)	(40,076,292)	(21,026,715)	**(286,578,646)**
Transfers to Stage 1	3,035,397	(2,336,562)	(698,835)	-
Transfers to Stage 2	(12,375,067)	24,552,171	(12,177,104)	-
Transfers to Stage 3	(14,039,230)	(17,854,898)	31,894,128	-
Other adjustments/ write-offs	(98,548)	(72,446)	(10,439,108)	**(10,610,102)**
At 31 December 2022	**412,997,457**	**50,261,350**	**37,478,566**	**500,737,373**

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Gross carrying amount as at 1 January 2021	**306,705,130**	**9,033,664**	**35,528,931**	**351,267,725**
Disbursements	286,593,861	130,134,968	58,201,202	**474,930,031**
Repayments	(333,040,824)	(3,230,338)	(10,301,154)	**(346,572,316)**
Transfers to Stage 1	1,000,703	(567,508)	(433,195)	-
Transfers from Stage 2	64,267,670	(66,570,940)	2,303,270	-
Transfers from Stage 3	27,152,147	2,369,987	(29,522,134)	-
Other adjustments/ write-offs	(669,032)	(60,410)	(5,850,720)	**(6,580,162)**
At 31 December 2021	**352,009,655**	**71,109,423**	**49,926,200**	**473,045,278**

(ii) Agricultural loans

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Gross carrying amount as at 1 January 2022	**74,333,936**	**22,617,908**	**14,905,217**	**111,857,061**
Disbursements	69,862,968	5,061,287	-	**74,924,255**
Repayments	(53,394,105)	(13,332,512)	(9,309,397)	**(76,036,014)**
Transfers to Stage 1	816,195	(632,906)	(183,289)	-
Transfers to Stage 2	(3,945,813)	5,708,754	(1,762,941)	-
Transfers to Stage 3	(5,477,238)	(7,330,212)	12,807,450	-
Write-offs during the year	-	-	(2,417,053)	**(2,417,0533)**
At 31 December 2022	**82,195,943**	**12,092,319**	**14,039,987**	**108,328,249**

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Gross carrying amount as at 1 January 2021	**79,737,536**	**2,802,719**	**6,232,053**	**88,772,308**
Disbursements	64,193,107	39,714,044	21,670,731	**125,577,882**
Repayments	(98,335,482)	(700,760)	(2,614,666)	**(101,650,908)**
Transfers to Stage 1	175,611	(174,490)	(1,121)	-
Transfers from Stage 2	18,630,522	(19,624,580)	994,058	-
Transfers from Stage 3	9,934,242	600,975	(10,535,217)	-
Other adjustments/ write-offs	(1,600)	-	(840,621)	**(842,221)**
At 31 December 2021	**74,333,936**	**22,617,908**	**14,905,217**	**111,857,061**

Corresponding ECLs:

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
ECLs as at 1 January 2022	**81,435**	**41**	**1,044,962**	**1,126,438**
ECL Movements	3,360	(11,817)	786,461	**778,004**
Transfers to Stage 2	(77)	77	-	-
Transfers to Stage 3	(58,219)	(41)	58,260	-
Write-offs during the year	-	-	(17,050)	**(17,050)**
At 31 December 2022	**26,499**	**(11,740)**	**1,872,633**	**1,887,392**

Corresponding ECLs:

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
ECLs as at 1 January 2021	**7,265**	**1,023**	**238,025**	**246,313**
ECL Movements	77,434	(1,279)	806,947	**883,102**
Transfers to Stage 2	(818)	818	-	-
Transfers to Stage 3	(2,444)	(521)	2,965	-
Other adjustments/ write-offs	(2)	-	(2,975)	**(2,977)**
At 31 December 2021	**81,435**	**41**	**1,044,962**	**1,126,438**

(iii) Business loans portfolio

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Gross carrying amount as at 1 January 2022	**66,572,265**	**40,067,528**	**28,502,136**	**135,141,929**
Disbursements	76,954,950	5,644,774	-	**82,599,724**
Repayments	(49,798,026)	(22,362,831)	(9,955,995)	**(82,116,852)**
Transfers to Stage 1	681,265	(614,914)	(66,351)	-
Transfers to Stage 2	(3,646,544)	13,732,963	(10,086,419)	-
Transfers to Stage 3	(4,325,686)	(8,901,839)	13,227,525	-
Write-offs during the year	-	(2,624)	(5,763,983)	**(5,766,607)**
At 31 December 2022	**86,438,224**	**27,563,057**	**15,856,913**	**129,858,194**

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Gross carrying amount as at 1 January 2021	**109,449,707**	**3,659,980**	**23,959,643**	**137,069,330**
Disbursements	54,388,019	78,100,356	26,955,270	**159,443,645**
Repayments	(150,018,051)	(1,496,099)	(6,482,105)	**(157,996,255)**
Transfers to Stage 1	153,491	(130,959)	(22,532)	-
Transfers from Stage 2	40,210,233	(41,239,711)	1,029,478	-
Transfers from Stage 3	12,529,958	1,175,324	(13,705,282)	-
Other adjustments/ write-offs	(141,092)	(1,363)	(3,232,336)	**(3,374,791)**
At 31 December 2021	**66,572,265**	**40,067,528**	**28,502,136**	**135,141,929**
Corresponding ECLs:				
ECLs as at 1 January 2022	**38,622**	**338**	**3,099,605**	**3,138,565**
ECL Movements	8,949	(3,577)	(485,383)	**(480,011)**
Transfers to Stage 2	(297)	8,251	(7,954)	-
Transfers to Stage 3	(46)	(13,045)	13,091	-
Write-offs during the year	-	-	(348,355)	**(348,355)**
At 31 December 2022	**47,228**	**(8,033)**	**2,271,004**	**2,310,199**
ECLs as at 1 January 2021	**79,922**	**4,046**	**1,226,814**	**1,310,782**
ECL Movements	1,757	(58,708)	2,272,967	**2,216,016**
Transfers to Stage 2	(26,082)	57,845	(31,763)	-
Transfers to Stage 3	(15,411)	(2,845)	18,256	-
Other adjustments/ write-offs	(1,564)	-	(386,669)	**(388,233)**
At 31 December 2021	**38,622**	**338**	**3,099,605**	**3,138,565**

(iv) Group loans

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	2022 Total Ushs'000
Gross carrying amount as at 1 January 2022	**536,833**	**490,561**	**720,401**	**1,747,795**
Repayments	(431,982)	(391,358)	(328,296)	**(1,151,636)**
Transfers to Stage 2	(12,256)	12,791	(535)	-
Transfers to Stage 3	(13,378)	(34,245)	47,623	-
Other adjustments/ write-offs	(48,142)	(69,822)	(401,368)	**(519,332)**
At 31 December 2022	**31,075**	**7,927**	**37,825**	**76,827**
Gross carrying amount as at 1 January 2021	**5,372,210**	**275,342**	**1,052,004**	**6,699,556**
Disbursements	514,093	633,477	1,936,673	**3,084,243**
Repayments	(5,629,244)	(226,137)	(1,017,671)	**(6,873,052)**
Transfers to Stage 1	2,429	(2,429)	-	-
Transfers from Stage 2	173,459	(175,322)	1,863	-
Transfers from Stage 3	611,933	41,061	(652,994)	-
Other adjustments/ write-offs	(508,047)	(55,431)	(599,474)	**(1,162,952)**
At 31 December 2021	**536,833**	**490,561**	**720,401**	**1,747,795**

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	2022 Total Ushs'000
Corresponding ECLs:				
Particulars				
ECLs as at 1 January 2022	**18,477**	**19,407**	**306,509**	**344,393**
ECL Movements	(2,259)	(20,340)	(53,231)	**(75,830)**
Transfers to Stage 2	-	351	(351)	-
Transfers to Stage 3	(104)	(943)	1,047	-
Other adjustments/ write-offs	(834)	(13,168)	(221,694)	**(235,696)**
At 31 December 2022	15,280	(14,693)	32,280	32,867
Corresponding ECLs:				
Particulars				
ECLs as at 1 January 2021	**47,266**	**14,158**	**416,244**	**477,668**
ECL Movements	(11,557)	10,766	198,989	**198,198**
Transfers to Stage 2	(1,104)	1,998	(894)	-
Transfers to Stage 3	(8,306)	(2,248)	10,554	
Other adjustments/ write-offs	(7,822)	(5,267)	(318,384)	**(331,473)**
At 31 December 2021	18,477	19,407	306,509	344,393

(v) Personal Loans portfolio

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Gross carrying amount as at 1 January 2022	**196,444,024**	**7,629,718**	**4,670,945**	**208,744,687**
Disbursements	158,380,746	2,379,400	1,690,583	**162,450,729**
Repayments	(116,156,180)	(2,026,369)	(2,923,550)	**(121,106,099)**
Transfers to Stage 1	1,329,314	(1,088,742)	(240,572)	-
Transfers from Stage 2	(4,770,455)	5,068,771	(298,316)	-
Transfers from Stage 3	(3,512,783)	(1,579,305)	5,092,088	-
Write-offs during the year	-	-	(1,553,243)	**(1,553,243)**
At 31 December 2022	231,714,666	10,383,473	6,437,935	248,536,074
Corresponding ECLs				
Particulars				
Gross carrying amount as at 1 January 2021	**96,790,237**	**2,179,448**	**3,223,439**	**102,193,124**
Disbursements	162,476,930	11,665,769	7,624,073	**181,766,772**
Repayments	(71,238,995)	(1,187,212)	(1,817,266)	**(74,243,473)**
Transfers to Stage 1	354,711	(259,631)	(95,080)	-
Transfers from Stage 2	5,013,082	(5,264,750)	251,668	-
Transfers from Stage 3	3,066,352	499,709	(3,566,061)	-
Other adjustments/ write-offs	(18,293)	(3,615)	(949,828)	**(971,736)**
At 31 December 2021	196,444,024	7,629,718	4,670,945	208,744,687

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
ECLs as at 1 January 2022	**5,434,150**	**1,089,609**	**2,288,885**	**8,812,644**
ECL Movements	330,919	1,587,677	2,748,017	**4,666,613**
Transfers to Stage 1	481,001	(344,613)	(136,388)	-
Transfers to Stage 2	(121,658)	238,518	(116,860)	-
Transfers to Stage 3	(79,532)	(335,421)	414,953	-
Write-offs during the year	-	-	(978,810)	**(978,810)**
At 31 December 2022	6,044,880	2,235,770	4,219,797	12,500,447
ECLs as at 1 January 2021	**3,729,385**	**257,449**	**1,215,641**	**5,202,475**
ECL Movements	1,782,949	834,811	1,583,679	**4,201,439**
Transfers to Stage 1	93,021	(51,337)	(41,684)	-
Transfers to Stage 2	(96,565)	141,491	(44,926)	-
Transfers to Stage 3	(74,591)	(92,582)	167,173	-
Other adjustments/ write-offs	(49)	(223)	(590,998)	**(591,270)**
At 31 December 2021	5,434,150	1,089,609	2,288,885	8,812,644

(vi) Staff loans

Particulars

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	2022 Total Ushs'000
Gross carrying amount as at 1 January 2022	**14,122,597**	**303,708**	**1,127,501**	**15,553,806**
Disbursements	4,742,224	-	-	**4,742,224**
Repayments	(5,695,346)	(108,727)	(200,060)	**(6,004,133)**
Transfers to Stage 1	208,622	-	(208,622)	-
Transfers to Stage 2	-	28,893	(28,893)	-
Transfers to Stage 3	(710,145)	(9,297)	719,442	-
Other adjustments/ write-offs	(50,405)	-	(303,462)	**(353,867)**
At 31 December 2022	12,617,546	214,577	1,105,906	13,938,029
Gross carrying amount as at 1 January 2021	**15,355,444**	**116,176**	**921,284**	**16,392,904**
Disbursements	5,021,712	21,322	14,455	**5,057,489**
Repayments	(7,819,056)	379,870	1,771,060	**(5,668,126)**
Transfers to Stage 1	314,461	-	(314,461)	-
Transfers from Stage 2	240,374	(266,577)	26,203	-
Transfers from Stage 3	1,009,662	52,917	(1,062,579)	-
Amounts written off	-	-	(228,461)	**(228,461)**
At 31 December 2021	14,122,597	303,708	1,127,501	15,553,806

	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
ECLs as at 1 January 2022	**46,527**	**-**	**102,611**	**149,138**
ECL Movements	12,218	(2,360)	167,659	**177,517**
Transfers to Stage 3	(2,835)	-	2,835	**-**
Write-offs during the year	-	-	(25,840)	**(25,840)**
At 31 December 2022	**55,910**	**(2,360)**	**247,265**	**300,815**
ECLs as at 1 January 2021	**64,260**	**-**	**75,014**	**139,274**
ECL Movements	(6,488)	(6,619)	31,793	**18,686**
Transfers to Stage 2	(4,190)	6,619	(2,429)	**-**
Transfers to Stage 3	(7,055)	-	7,055	**-**
Write-offs during the year	-	-	(8,822)	**(8,822)**
At 31 December 2021	**46,527**	**-**	**102,611**	**149,138**

23. OTHER ASSETS

	2022 Ushs '000	2021 Ushs '000
Prepayments	**2,793,064**	1,806,117
Consumables	**490,071**	704,016
Other accounts receivable	**3,237,513**	2,048,190
Mobile money float	**2,465,257**	5,082,498
Deferred employee benefits (Note 22)	**4,182,828**	4,609,479
Security deposits	**185,150**	185,150
	13,353,883	**14,435,450**

The Bank assessed other assets subject to credit risk for impairment and found the amount to be immaterial provisions for expected credit losses as at 31 December 2022 and 2021.

24. RECEIVABLES FROM BUSINESS CONTRACTS

	2022 Ushs '000	2021 Ushs '000
Contract assets	**2,973,475**	3,011,481
Provision for expected credit losses	**(438,176)**	(441,245)
	2,535,299	**2,570,236**

The Bank has contracts to pay persons of concerns with World Food program, Rural Electrification Agency and Danish Refugee Council. The bank earns fees for this service. As at 1 January 2021, the Bank had contract receivables of Ushs 4,358 million.

25. INTANGIBLE ASSETS

	2022 Ushs '000	2021 Ushs '000
Cost		
At 1 January	**11,899,256**	12,962,280
Reclassifications	-	(21,996)
Additions	**4,671,787**	495,443
Transfers from Work in progress	**4,313,389**	1,802,469
Write-offs	-	(3,338,940)
At 31 December	20,884,432	11,899,256
Amortisation		
At 1 January	**6,063,679**	7,466,928
Reclassifications	-	(18,195)
Charge for the year	**2,153,218**	1,869,077
Write offs	-	(3,254,131)
At 31 December	8,216,897	6,063,679
Net carrying amount		
At 31 December	12,667,535	5,835,577

26. PROPERTY AND EQUIPMENT

	Land & Buildings Ushs'000	Furniture, Fittings & Equipment Ushs'000	Computer Equipment Ushs'000	Motor Vehicles Ushs'000	Work In Progress Ushs'000	Total Ushs'000
Cost / Valuation						
At 1 January 2022	**10,518,387**	**28,070,814**	**19,292,029**	**8,313,641**	**10,688,802**	**76,883,673**
Adjusting Opening Bal	-	-	-	-		-
Additions*	-	6,326,824	4,863,597	1,730,000	8,768,816	**21,689,237**
Additions-branches	-	2,571,386	-	-	-	**2,571,386**
Transfers from WIP		1,815,733	3,567,546	-	(5,383,279)	-
Transfer to intangibles		-	-	-	(4,313,388)	**(4,313,388)**
Disposals		(1,044,399)	(732,519)	-	-	**(1,776,918)**
Write offs		-	-	-	(550,341)	**(550,341)**
At 31 December 2022	10,518,387	37,740,358	26,990,653	10,043,641	9,210,610	94,503,649
Depreciation						
At 1 January 2022	**933,388**	**15,473,151**	**12,681,352**	**6,420,309**	-	**35,508,200**
Re-classifications	-	-	-	-		-
Charge for the year	317,508	3,100,676	2,143,327	801,445	-	**6,362,956**
Disposals		(923,040)	(704,065)	-		**(1,627,105)**
Write offs	-	-	-	-		-
At 31 December 2022	1,250,896	17,650,787	14,120,614	7,221,754	-	40,244,051
Net carrying amount						
At 31 December 2022	**9,267,491**	**20,089,571**	**12,870,039**	**2,821,887**	**9,210,610**	**54,259,598**
At 31 December 2021	9,584,999	12,597,662	6,610,677	1,893,333	10,688,802	41,375,473

* During the year 2022 the Bank capitalised costs related to refurbished branches, core banking system upgrade infrastructure, added onto its motor vehicle fleet, and other computer equipment replacements.

	Land & Buildings Ushs'000	Furniture, Fittings & Equipment Ushs'000	Computer Equipment Ushs'000	Motor Vehicles Ushs'000	Work In Progress Ushs'000	Total Ushs'000
Cost / Valuation						
At 1 January 2021	**10,495,316**	**28,267,071**	**14,358,358**	**8,112,545**	**3,162,934**	**64,396,224**
Adjusting Opening Bal	(152,464)	124	174,334			**21,994**
Additions*	175,535	3,152,951	4,767,658	1,164,294	10,688,802	**19,949,240**
Additions-branches	-	115,815	-	-	-	**115,815**
Transfers from WIP		893,503	-	-	(893,503)	
Transfer to intangibles		-	-	-	(1,802,470)	**(1,802,470)**
Disposals		(159,206)	(8,321)	(952,614)	-	**(1,120,141)**
Write offs		(4,199,444)		(10,584)	(466,961)	**(4,676,989)**
At 31 December 2021	**10,518,387**	**28,070,814**	**19,292,029**	**8,313,641**	**10,688,802**	**76,883,673**
					-	

	Land & Buildings Ushs'000	Furniture, Fittings & Equipment Ushs'000	Computer Equipment Ushs'000	Motor Vehicles Ushs'000	Work In Progress Ushs'000	Total Ushs'000
Depreciation						
At 1 January 2021	**665,625**	**17,298,518**	**10,490,312**	**6,275,699**	**-**	**34,730,154**
Re-classifications	(7,137)	(26,827)	76,535			**42,571**
Charge for the year	274,900	2,462,670	2,121,956	946,266	-	**5,805,792**
Disposals		(159,206)	(7,451)	(791,073)		**(957,730)**
Write offs*	-	(4,102,003)	-	(10,584)		**(4,112,587)**
At 31 December 2021	**933,388**	**15,473,152**	**12,681,352**	**6,420,308**	**-**	**35,508,200**
Net carrying amount						
At 31 December 2021	**9,584,999**	**12,597,662**	**6,610,677**	**1,893,333**	**10,688,802**	**41,375,473**
At 31 December 2020	**9,829,691**	**10,968,552**	**3,868,046**	**1,836,846**	**3,162,934**	**29,666,069**

i. Capital work-in-progress represents ongoing construction work at various branches, ATM switch upgrade, and E-wallet project.

ii. The Bank's title to land and buildings on plot 4/6 Nkrumah Road Kampala was pledged as security on the UDB Loan (Note 30).

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.

27. RIGHT OF USE ASSETS

	Land Ushs'000	Office space Ushs'000	Vehicles Ushs'000	Total Ushs'000
Cost / Valuation				
At 1 January 2022	1,987,841	26,157,485	5,359,686	33,505,012
Additions	-	7,794,129	-	7,794,129
Write-offs	-	(1,820,576)	(588,691)	(2,409,267)
At 31 December 2022	1,987,841	32,131,038	4,770,995	38,889,874
Depreciation				
At 1 January 2022	-	6,248,574	3,357,919	9,606,493
Charge for the year	-	3,556,130	1,028,861	4,584,991
Write-offs	-	(764,285)	(365,394)	(1,129,679)
At 31 December 2022	-	9,040,419	4,021,386	13,061,805
Net book value at 31 December 2022	1,987,841	23,090,619	749,609	25,828,069
Net book value at 31 December 2021	1,987,841	19,908,912	2,001,767	23,898,520

Write offs related to terminated branch contracts and expired motor vehicle leases.

Particulars

	Land Ushs'000	Office space Ushs'000	Vehicles Ushs'000	Total Ushs'000
Cost / Valuation				
At 1 January 2021	1,987,841	21,754,949	5,359,686	29,102,476
Additions	-	6,863,683	-	6,863,683
Write-offs	-	(2,461,147)	-	(2,461,147)
At 31 December 2021	1,987,841	26,157,485	5,359,686	33,505,012
Depreciation				
At 1 January 2021	-	5,002,905	2,195,503	7,198,408
Adjust 1 Jan 2021	-	151,877	-	151,877
Charge for the year	-	3,205,845	1,162,416	4,368,261
Write-offs	-	(2,112,054)	-	(2,112,054)
At 31 December 2021	-	6,248,574	3,357,919	9,606,492
Net book value at 31 December 2021	1,987,841	19,908,912	2,001,767	23,898,520
Net book value at 31 December 2020	1,987,841	16,752,044	3,164,183	21,904,068

28. AMOUNTS DUE TO OTHER BANKS

	2022 Ushs '000	2021 Ushs '000
Amounts due to other banks	11,863,607	1,962,352

The amounts relate to interbank borrowings and vostro balances. The weighted average effective interest rate on deposits and balances due to other banks was 2.04% (2021: 0.89%).

29. CUSTOMER DEPOSITS

	2022 Ushs '000	2021 Ushs '000
Current and demand accounts	38,139,645	-
Savings accounts	589,255,840	364,347,728
Fixed deposit accounts	61,657,667	142,945,576
	689,053,152	507,293,304

The weighted average effective interest rates on savings and fixed deposits were 0.79% and 10.07%, respectively (2021: 0.89% and 7.36%, respectively). All fixed deposits have a tenor of twelve months and below.

30. BORROWINGS

	Solar loan-UECCC 2 Ushs'000	UDB loans Ushs'000	Total Ushs'000
Year ended 31 December 2022			
At start of year	-	63,921,355	**63,921,355**
Interest on borrowings	-	4,113,109	**4,113,109**
Interest paid	-	(4,298,857)	**(4,298,857)**
Principal repayment	-	(10,573,065)	**(10,573,065)**
At end of year	-	53,162,542	53,162,542
Year ended 31 December 2021			
At start of year	163,154	63,076,610	**63,239,764**
Additions	-	10,000,000	**10,000,000**
Interest on borrowings	9,945	4,651,289	**4,661,234**
Interest paid	(9,945)	(4,498,340)	**(4,508,285)**
Principal repayment	(163,154)	(9,308,204)	**(9,471,358)**
At end of year	-	63,921,355	63,921,355

The weighted average borrowing rate for these facilities is 6.08% (2021: 7.08%).

a. UDB loans

Below is the breakdown of UDB loans

	Principal Ushs'000	Outstanding Ushs'000
UDB Loan 1	15,000,000	4,732,047
UDB Loan 2	20,000,000	14,612,012
UDB Loan 3	40,000,000	33,818,483
At 31 December 2022	75,000,000	53,162,542
UDB Loan 1	15,000,000	8,156,120
UDB Loan 2	20,000,000	18,583,175
UDB Loan 3	40,000,000	37,182,060
At 31 December 2021	75,000,000	63,921,355

Both UDB Loan 1 and 2 mature in 5 years and are secured by legal mortgage over land and buildings of the Bank. Loan UDB 3 is secured against the Bank's performing loan book.

UDB Loan 3 matures in 10 years and bears interest at a fixed rate of 5% while UDB Loan 2 bears interest at a fixed rate of 10%. Both facilities are payable semi-annually.

UDB Loan 1 is at a fixed rate of 10% with payments due quarterly.

b. Net debt reconciliation

	2022 Ushs '000	2021 Ushs '000
Cash and cash equivalents (note 38(a))	**101,747,965**	47,087,886
Liquid investments (note 19&20)	**119,783,075**	160,328,732
Borrowings (note 30)	**(53,162,542)**	(63,921,355)
Lease liability (note 32(b))	**(23,861,484)**	(22,240,549)
Net debt	**144,507,014**	**121,254,714**

Liquid investments include treasury bills and placements with other banks.

31. GRANTS

	2022 Ushs '000	2021 Ushs '000
Capital grants (Note 31 (b))	**606,575**	720,454
Operating grants (Note 31 (a))	**578,642**	957,646
At 31 December	**1,185,217**	**1,678,100**

(a)	ABI-Trust Grant Ushs'000	Water Credit Project Ushs'000	NRC Grant Ushs'000	Heifer Grant Ushs'000	Eurogiro Ushs'000	Total Ushs'000
At start of year 2022	**142,914**	**376,216**	**366,138**	**72,378**	**-**	**957,646**
Additions	-	-	-		198,132	**198,132**
Repayments	-	(365,474)	(58,005)	-	-	**(423,479)**
Grant income to P&L	(142,914)	(10,743)	-	-	-	**(153,657)**
At end of year 2022	**-**	**-**	**308,132**	**72,378**	**198,132**	**578,642**
At start 2021	**290,914**	**582,533**	**-**	**2,143,242**	**-**	**3,904,339**
Adjust 1 January 2021	-	(366,138)	366,138	(1,080,000)	-	**(1,080,000)**
Additions	455	269,713	-		-	**270,168**
Repayments	(144,055)	(109,892)		(99,266)	-	**(700,646)**
Loan disbursements	-	-	-	(891,598)	-	**(891,598)**
Grant income to P&L	(4,400)	-	-	-	-	**(544,617)**
At end of year 2021	**142,914**	**376,216**	**366,138**	**72,378**	**-**	**957,646**

(b) Capital grants amortisation

	Abi Trust Ushs'000	CARE Ushs'000	Total Ushs'000
Year ended 31 December 2022			
Cost			
At 1 January and 31 December 2022	1,216,417	55,728	**1,272,145**
Amortisation			
At start of year	523,567	28,124	**551,691**
Charge for the year	105,620	8,259	**113,879**
At end of year	629,187	36,383	**665,570**
Net book value at 31 December 2022	587,230	19,345	606,575
Year ended 31 December 2021			
Cost			
At 1 January 2021 and 31 December 2021	1,216,417	55,728	**1,272,145**
Amortisation			
At start of year	497,162	25,821	**522,984**
Charge for the year	26,405	2,303	**28,708**
At end of year	523,567	28,124	**551,691**
Net book value at 31 December 2021	692,850	27,604	720,454

a. 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.The project closed with reconciliations and transfer of residual balances to income during the year ended 31 December 2022.

b. Water Credit grant

This relates to a grant from water.org to support access to clean water and sanitation in vulnerable communities in Uganda. The grant period expires on 30 June 2022 following which the project was closed and the funds left thereon were repaid to water.org.

c. 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. The project pends conclusion of the project audit and official closure.

d. Norwegian Refugee Council (NRC) grant

The Bank received Ushs. 366 million 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 of the portfolio for proper implementation.

e. Eurogiro grant

The agreement was signed between Eurogiro and PostBank Uganda Limited in October 2022 to provide customers with a payment solution ("digital solution") with competitive transaction costs. The project is targeting at least 7,000 beneficiaries receiving remittances across the country. The project completion date is 31 March 2024.

32. (A) OTHER LIABILITIES

	2022 Ushs '000	2021 Ushs '000
Accounts payable	**1,738,312**	1,063,329
Insurance premium	**258,773**	323,826
National Social Security Fund contributions	**493,089**	427,322
Indirect taxes payable	**2,544,706**	1,879,465
Staff accrued payables	**1,677,304**	1,520,493
Audit fees	**63,667**	76,700
Cash overs	**42,407**	43,070
Other payables	**13,054,821**	13,348,893
Lease liabilities (Note 32(b))	**23,861,484**	22,240,549
Agriculture Credit Facility	**7,869,864**	8,366,135
Small Business Recovery Fund	**193,917**	-
Provision for expected credit losses–off balance sheet	**41,652**	3,919
	51,839,996	49,293,701

Included in other payables is Small Business Recovery Fund that was established by the Government of Uganda(''GoU'') to aid enterprises that were adversely affected by the covid 19 pandemic. In November 2022,an addendum was issued as the uptake of the fund was very low and the Memorandum of Agreement''(MOA'') was amended as per the following eligibility criteria; All small businesses operated by individuals, groups, partnership and companies employing 2-49 people and with annual turnover of Ushs 10million-Ushs 300million,the maximum loan amount is Ushs 200 million,the GoU will provide an initial deposit of Ushs 1 billion and Commercial Banks ("PFI'') contributing 50%of the loan value of each eligible borrower, at 10% per annum on a reducing balancing method.

The fund can be accessed through block allocation for those businesses without collateral and credit facilities to eligible borrowers shall be extended for periods of a minimum of three months and maximum of four years, which shall include a grace period of a maximum of one year depending on the nature of the project and as determined by the PFI.

32. (B) LEASE LIABILITIES

The movement in the lease liabilities is as shown below:

	2022 Ushs '000	2021 Ushs '000
At 1 January	**22,240,549**	19,812,825
Additions	**7,078,551**	6,569,756
Interest expense on lease liabilities	**1,413,340**	1,881,117
Repayment of interest component	**(1,413,340)**	(1,881,117)
Repayment of principal component	**(4,060,079)**	(3,730,295)
Terminated contracts	**(1,397,537)**	(411,737)
At 31 December	23,861,484	22,240,549
The movement in net lease liabilities is as shown below:		
Gross instalments payable	29,416,276	27,311,633
Future interest	(5,554,792)	(5,071,084)
Net lease liabilities	23,861,484	22,240,549

33. SHARE CAPITAL

	2022 Ushs '000	2021 Ushs '000
Issued and fully paid		
At start of year	**98,006,879**	76,045,528
Bonus issue of shares	**12,235,818**	18,455,048
Issue of shares for cash consideration	**3,326,328**	3,506,303
At end of year	113,569,025	98,006,879

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 2022 (2021: Nil). During the year, the Bank issued 1,556,214 additional ordinary shares comprised of a cash issue of 332,632 shares (2021: 350,630 shares) and a bonus issue of 1,223,582 shares (2021:1,845,505 shares). The total number of paid-up shares is now 11,356,902 shares (2021: 9,800,687 shares).

	2022 Number	2021 Number
Number of shares		
At start of year	**9,800,687**	7,604,552
Issue of bonus shares	**1,223,582**	1,845,505
Issue of shares for cash consideration	**332,633**	350,630
At end of year	11,356,902	9,800,687

As at 31 December 2022, there were fifteen million (15,000,000) authorised ordinary shares of which 11,356,902 (2021: 9,800,687) were issued and fully paid.

The shareholders of the Bank, all of whom have their registered addresses in Uganda, were as follows as at 31 December 2021 and 2022:

	No. shares	% held
Minister of Finance Planning and Economic Development – Uganda	11,356,901	100.00%
Minister of State for Finance (Privatisation) – Uganda	1	0.00%
	11,356,902	100.00%

The Bank is owned by the Government of Uganda as represented by the above shareholders.

34. 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.

	2022 Ushs '000	2021 Ushs '000
At start of year	**3,097,455**	3,295,205
Transfer of excess depreciation to retained earnings	**(144,514)**	(197,750)
At end of year	2,952,941	3,097,455

35. COVID-19 PANDEMIC

Bank of Uganda offered Credit Relief Monitoring (CRM) to financial institutions where borrowers were allowed to restructure their loans during the pandemic. With the expiry of the CRM, the adverse effects of the Covid 19 pandemic and the associated containment measures continue to persist for some sectors and borrowers.

The Bank continues to significantly enhance credit risk management mechanisms by conducting credit risk stress tests that consider the potential effects of the expiry of the CRM, provision for expected credit losses, prudent capital planning and monitor credible liquidity contingency plans to enhance absorption of potential credit losses.

36. CONTINGENT ASSETS AND LIABILITIES

a) Contingent liabilities:

Particulars	Cyber Ushs'000	Litigation Ushs'000	Total Ushs'000
At 1 January 2022	**671,335**	**732,832**	**1,404,167**
Additions	-	97,012	**97,012**
Reimbursement from insurance	(631,531)	-	**(631,531)**
Write off	(39,804)	-	**(39,804)**
Payments made		(36,110)	**(36,110)**
At 31 December 2022	**-**	**793,734**	**793,734**
At 31 December 2021	**671,335**	**732,832**	**1,404,167**

The Bank is a litigant in several cases which arise from normal day to day Banking activities.The Directors 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.

During the year 2022, the Bank received insurance compensation and reversed provisions for cyber fraud amounting to Ushs 631 million. The Bank closed with a contingent liability estimated at Shs 733 million arising out of its open legal cases. The directors are of the opinion, after taking appropriate legal advice, that the final outcome of the open legal matters will not give rise to cash outflows beyond amounts provided for above.

b) Commitments, Guarantees and Letters of Credit

	2022 Ushs '000	2021 Ushs '000
Guarantees		
Gross	4,034,398	940,121
Provision for expected credit losses (Note 36)	(1,246)	(836)
	4,033,152	**939,285**
Undrawn stand-by facilities (Commitments)	4,273,767	3,517,249
Provision for expected credit losses	(34,068)	(3,083)
	4,239,699	**3,514,166**
Letters of Credit	5,296,254	-
	13,604,419	**4,457,370**

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. The amounts presented are gross of the stated provisions for expected credit losses. Letters of credit had no provisions since they were fully covered by collateral.

37. RELATED PARTIES

The Bank's immediate and ultimate controlling party is 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 2022 include loans to Directors as follows:

Loans to Executive and Non-Executive Directors

	2022 Ushs '000	2021 Ushs '000
At start of the year	**580,884**	641,585
Loans extended during the year	**440,000**	230,000
Interest earned	**61,901**	58,033
Loan repayments during the year	**(529,001)**	(348,734)
At end of year	553,784	580,884

Loans to Directors as at 31 December 2022 were neither past due, nor impaired (2021: Nil). The loans are secured. The interest earned on loans to Directors during the year 2022 was Ushs 61 million (2021: Ushs 58 million).

Directors' loans

Names	Position	Rate	2022 Ushs '000	2021 Ushs '000
Lawrence Kasenge	Non- Executive	16%	**30,078**	21,632
Beatrice Lagada	Non- Executive	18%	**38,206**	9,860
Executive Directors				
Julius Kakeeto	Managing Director	10%	**277,682**	210,400
Andrew Kabeera	Executive Director	10%	**207,818**	338,991
			553,784	580,883

Deposits by Directors

	2022	2021
At start of year	**92,180**	22,880
Movement for the year	**(70,443)**	69,300
At end of year	21,737	92,180

Deposit accounts held by Directors were non-interest bearing (2021: Nil).

Key management compensation

	2022	2021
Salaries and other benefits	**4,605,377**	4,009,718
Post-employment benefits	**757,000**	720,000
	5,362,377	4,729,718

Directors' remuneration (included in key management compensation above)

	2022	2021
Salaries and other benefits	**1,213,242**	1,070,794
Post employment benefits	**261,000**	261,000
Board allowances and other costs	**1,199,995**	1,095,035
	2,674,237	2,426,829

38. CASHFLOWS FROM OPERATING ACTIVITIES

	Note	2022 Ushs '000	2021 Ushs '000
Profit before income tax		**20,461,554**	17,644,678
Adjustments for:			
Depreciation of property, plant and equipment	26	**6,362,956**	5,805,793
Depreciation of right of use assets	27	**4,584,991**	4,368,261
Amortisation of Intangible assets	25	**2,153,218**	1,869,078
Interest expense on borrowings	30	**4,113,109**	4,661,234
Interest charge on leases	32 (b)	**1,413,340**	1,881,117
Expected credit losses on financial assets	12	**14,335,173**	11,955,553
Grant release to profit or loss	31	**(267,535)**	(576,295)
Losses on disposal of fixed asset	26	**146,786**	2,304
IFRS 16 losses	27	**(120,404)**	(116,243)
Write offs from WIP	26	**-**	466,961
Other Non Cash expenses	15	**(518,650)**	5,122
Forex gains/losses	10	**321,162**	15,341
Cash flows from operating activities		**52,985,700**	47,982,904

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.

	Level 3 Ushs'000	Total Ushs'000
At 31 December 2022		
Assets measured at fair value:		
Land and buildings	11,350,603	11,350,603
At 31 December 2021		
Assets measured at fair value:		
Land and buildings	11,350,603	11,350,603

There were no transfers between levels 1, 2 and 3 in the year (2021: 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 that are measured at fair value.

	2022		2021	
	Carrying Amount Ushs'000	Fair Value Ushs'000	Carrying Amount Ushs'000	Fair Value Ushs'000
Financial assets				
Debt instruments at amortised cost	**156,868,788**	**158,877,264**	30,750,452	30,771,873
Loans and advances to customers	**479,522,825**	**479,522,825**	454,864,620	454,864,620
Total	636,391,613	638,400,089	485,615,072	485,636,493
Financial liabilities				
Borrowings	**53,162,542**	**39,639,859**	63,921,355	47,033,335
Total	53,162,542	39,639,859	63,921,355	47,033,335

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. These are determined to be level 3 valuations as the underlying consideration are largely unobservable.

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 largely unobservable, and are therefore classified as Level 3.

Debt instruments at amortised cost
Debt instruments at amortized cost are treasury bills and bonds issued by the Government of Uganda with fixed interest payments. The fair values of these instruments are based on interpolation of published prices resulting in a Level 2 classification.

Loans and advances to customers
The fair values of loans and advances to customers are estimated at their amortised cost as disclosed in the statement of financial position.

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.

40. LONDON INTER BANK OFFER 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.

41. EVENTS AFTER THE REPORTING DATE

There were no other material events occurring after the reporting date which had an impact on the financial position or results of the Bank.

Supplementary Information

BRANCH NETWORK

Branch	Physical address/Contact
City Branch	Plot 4/6 Nkurumah Road, Kampala. Tel: +256-414-235956
Forest Mall Branch	Plot 3A2 & 3A3, Sports Lane Kampala 0417157502
Kampala Road Branch	Plot 4, Orient House, K'la Rd., Tel: +256-414-250438
William Street Branch	Plot 68/70 William Street, Kampala. Tel: +256-414-258619
Ndeeba Branch	Plot 476, Masaka Road, Kampala Tel: +256-414-272663
Bugolobi Branch	Plot 69/71, Spring Road, Kampala Tel: +256-414-223227
Wandegeya Branch	Plot 359, Bombo Road, Kampala Tel: +256-414-530874
Makerere Branch	Makerere University-CCE, Tel. 0417157200
Kireka	Plot 2889, Block 232 Jinja Road 0417157452
Usafi Branch	Plot 370, Block 12, Kalitunsi Road, Tel. 0417157547/8
Mukono Branch	Plot 42 &44 Jinja Road, Tel. 0417157640
Entebbe Branch	Plot 8/9, Apollo Square, Entebbe Tel: +256-417157372
Entebbe Airport -Cash Collection Centre	Entebbe International Airport Tel- +256-417157372
Nsangi	Plot 268, Block 359 Kampala-Masaka Highway 0417157687
Nakasongola Branch	Plot 95 K'la, Lwampanga Road. Tel: +256-392-758553
Bombo Branch	Plot 7, Namaliga Estate, Tel: +256-414-630371
Kakiri Branch	Plot 272/273 Hoima Rd., Tel: +256-392-221434
Masaka Branch	Plot 23/25, Edward Avenue, Masaka Tel: +256-4851-420253
Kyazanga Branch	Masaka- Mbarara Highway , Kyazanga Town 0417157606
Mbarara Branch	Plot 49, High Street, Mbarara Tel: +256-392-758551
Bishop Stuart University Mini branch	Mbarara – Ntungamo Highway 0417157404
Ibanda	Plot 189 Block 27 Ibanda 0417157612
Rushere Mini- Branch	Nyakahita Road, Kiruhura district 0417157608
Kamwenge Branch	Plot 8, Fortportal Road, Tel: +256-483-444302
Ishaka-Mini branch	Plot 52 Rukungiri Road 0417157638
Kanungu Branch	KBS Plaza Building, Independence Road, Tel +256-417-157538
Kihihi-Contact Centre	Plot 2 Amama Road 0417157624
Butogota Mini- branch	Bwindi Road, Kanungu district Tel. 0417157626
Ntungamo Branch	Plot 77, Old Kabale-Mbarara Road, Tel: +256-417-157521`
Kabale Branch	Plot 139, Kabale/Kisoro Rd. Kabale Tel: +256-486-422051
Kasese Branch	Plot 68, Margherita street, Tel: +256-483-444285
Fort Portal Branch	Plot 13, Rukiidi3, F.Portal Tel: +256-483-422245
Hima-Contact Centre	Kasese – Fortportal Road 0417157616
Kagadi-Mini branch	Kibaale-Mubende Road 0417157636
Mubende Branch	Plot 49, High Street, Mbarara Tel: +256-464-444457
Hoima Branch	Plot 39 F.Portal Road Tel: +256-414-235956

Branch	Physical address/Contact
Masindi Branch	Plot 44 & 46 Commercial Street, Masindi. Tel: +256-414-250438
Jinja Branch	Plot 2 Main Street, Jinja Tel: +256-434-4121232
Iganga Branch	Plot 102 Main Street, Iganga Tel: +256-434-4242075
Kayunga Branch	Bugerere Road, Kayunga Tel: +256-392-758552
Kapchorwa Branch	Plot 73, Mbale – Kitale Road, Tel. 0417157545/6
Soroti Branch	Plot 4 Kennedy Square Tel: +256-454-461021
Mbale Branch	Plot 39/41 Republic Street 0454435376
Bukedea Branch	Mbale – Soroti Road, Plot 10 Tel. 0417157200
Lira Branch	Plot 13 Soroti Rd., Lira. Tel: +256-473-420421
Moroto Branch	Lira Road, Plot 72-74 Tel. 0417157200
Kotido Branch	Plot 43, Senior Quarters Road Kotido District 0417157630
Gulu Branch	Plot 31 Air Field Road. Gulu. Tel: +256-473-420421
Kamdini Mini- Branch	Kampala-Gulu Highway Plot 01, Oyam district Tel. 0417157618
Lacor Branch	Juba Rd., Tel: +256-471-432161
Kitgum Branch	Plot 15/16, Ogwok Road, Tel: +256-471-660432
Amolatar Sub-Branch	Plot 22, Apwony kali Road, Tel0417157540/1
Bweyale Branch	Plot 233, Kampala – Gulu Road, Tel. 0417157550
Anaka Branch	Anaka – Gulu Road, Tel. 0417157542/3
Pakwach Branch	Plot 2B, Packwach Road, Nebbi district Tel 0417157585
Arua Branch	Plot 76/84, Avenue Street, Arua Tel: +256-476-420596
Yumbe Branch	Abiriga Road,Yumbe district, Tel. 0417157634

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
ATM	Automated Teller Machine
Bn	Billion
BOU	Bank of Uganda
CBR	Central Bank Rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRS	Corporate Social Responsibility
Dec	December
E- TAX	Electronic Tax
E-Banking	Electronic Banking
ED	Executive Director
EPS	Earnings Per Share
EURO	Euro Currency
EXCO	Executive Committee
FIA	Financial Institutional Act
FLI	Forward Looking Information
FSDU	Financial Sector deepening Uganda
FX	Forex
GBP	Great Britain Pound
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für International Zusammenarbeit
GLP	Group Lending Product
IAS	International Accounting Standards
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
IT	Information Technology
KYC	Know Your Customer
MD	Managing Director
MDI	Micro Deposit Institution
MTN	Mobile Telecommunication Network
NED	Non Executive Director
NPA	Nonperforming Assets
NSSF	National Social Security Fund
OTC	Over the counter
PAT	Profit After Tax

ACRONYM	
PAYE	Pay As You Earn
PBT	Profit before Tax
PBU	PostBank Uganda
PCL	Personal Consumer Loans
PD	Probability of Default
PFI	Participating Financial Instruction
POS	Point of Sale
PPDA	Public Procurement and Disposal Act
ROE	Return on Equity
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
SME	Small and Medium Enterprises
SOPs	Standard Operating Procedures
S&P	Standards & Poor
TAT	Turnaround time
TTs	Telegraphic Transfers
UDB	Uganda Development Bank
UECCE	Uganda Energy Capitalisation Company
UGX	Uganda Shillings
URA	Uganda Revenue Authority
US	United States
USD	United States Dollars
UGX	Uganda Shilling
VAR	Value at Risk
VSLA	Village Saving Loans
WIP	Work in progress
WHO	World Health Organisation
NRC	Norwegian Refugee Council
LWF	Lutheran World Federation
CORE	Community Road Empowerment Program
CRS	Catholic Relief Services
WV	World Vision Uganda
PPE	Property Plant and Equipment
EPS	Earnings Per Share
MOU	Memorandum of Understanding
WHT	Withholding Tax
PFI	Private Finance Initiative
CRB	Credit Reference Bureau
TENT	Tent Partnership for Refugees

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