



PostBank

Wendi, a better tomorrow sustainably!

Wendi
Unbanked
**we're here
for you!**

ANNUAL
INTEGRATED
REPORT 2023

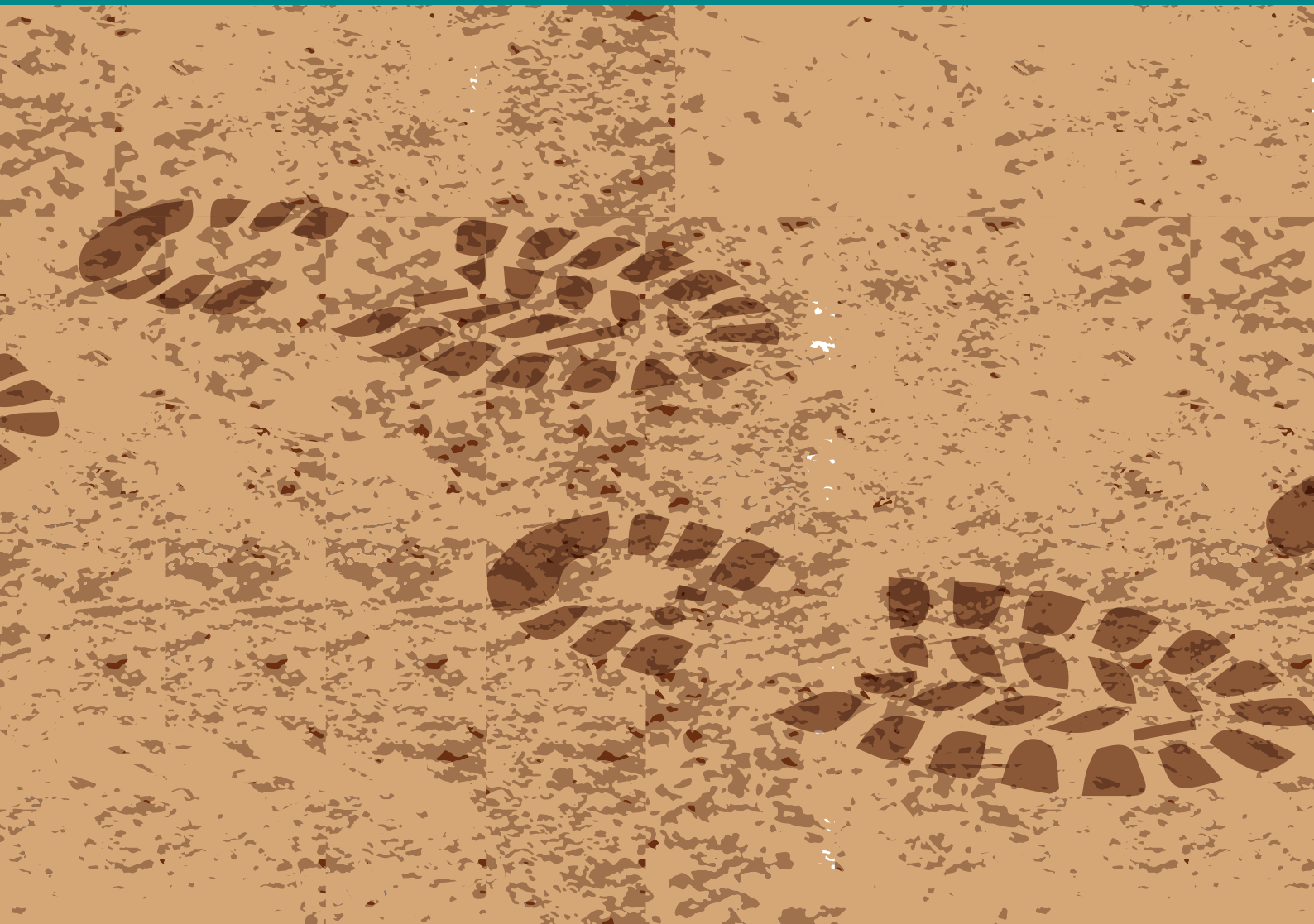
Grow.Prosper

Wendi, a better tomorrow sustainably!

Welcome to our 2023 Annual Integrated Report

As we gather to reflect on the past year, we find ourselves anchored by a powerful truth: our commitment for a better tomorrow, sustainably remains at the forefront of our license to operate. We have deliberately put our Bank in position to deliver on this promise for generations to come, by ensuring that we play a pivotal role in the transformation of our economy by bringing those that have been financially excluded to the table.

In these pages, you will discover stories of impact, resilience, and the unwritten chapters of hope we're penning together. So, let us embark on this journey—a journey fueled by purpose, sustained by selfless service, and dedicated to making a lasting difference. Welcome to our integrated report [IR], where the spirit of **"A better tomorrow"** comes alive.



"Fostering Prosperity for Ugandans"

#WendiWonaWooli

Scan here to view our
2023 Annual Integrated Report



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Wendi

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01

NAVIGATING OUR VALUE CREATING JOURNEY

07 Navigate Our Report



➔ Navigate Our Report

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








OUR CAPITALS

					
Human Capital.	Intellectual Capital.	Manufactured Capital.	Financial Capital.	Social and Relationship capital.	Natural Capital.
Page 134	Page 156	Page 178	Page 192	Page 204	Page 221







LONG-TERM STRATEGIES (Our 5 pillars)

				
Performance.	Governance & Risk.	Technology.	People.	Service.
Page 116	Page 118	Page 120	Page 124	Page 126

SHORT TO MEDIUM TERM STRATEGIES

						
Strengthen the distribution network.	Lead the way in Agribusiness financing.	Reinforcing risk management.	Improve technology efficiency	Employee engagement and productivity.	Enforce service delivery and excellence.	Corporate Social Responsibility (CSR).
Page 111	Page 111	Page 111	Page 112	Page 113	Page 114	Page 114

STAKEHOLDERS

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

MATERIAL MATTERS

				
IT innovation & digitization in the banking industry.	Uncertain geopolitical & post pandemic socio-economic environment.	Heightened 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.
Page 92	Page 94	Page 95	Page 96	Page 97

PostBank UGANDA's PRIMARY UN SDGs.



A smiling woman with dark hair, wearing a black patterned top and a green apron, is looking down at a smartphone in her right hand. She is standing in a market stall filled with various fruits, including bunches of yellow bananas, red tomatoes, green avocados, and coconuts. The background shows more market stalls and wooden structures.

02 | INTRODUCTION

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➔ About Our Report

Our vision is to be the pace setter in economically transforming lives and livelihoods. This integrated report aims to showcase how we are creating a future proof Bank that will deliver “A better tomorrow sustainably”.

The primary focus of our IR is to address the information needs of our shareholder supported with relevant information on how we create, preserve, and minimise the erosion of value for our other key stakeholders.

➔ Forward-Looking Statements

This report includes forward-looking statements about PostBank’s financial position, results, operations, and businesses. These statements reflect our current judgments and expectations at the time of preparing this Report. However, various emerging risks, uncertainties, and other significant factors could potentially alter the outcomes from our initial expectations. These factors may have adverse effects on our business and financial performance.

➔ Integrated thinking

We continue to view integrated thinking as the interplay between the various capitals that we use or impact in the short-, medium-, and long-term horizon. We recognize the inherent trade-offs in our strategic decision-making process and ensure that we make only those decisions that contribute to the maximization of our value creation process.

➔ Boundary and scope

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



Operating context

➔ See page 92



Business model, including availability of capitals

➔ See page 24



Strategy

➔ See page 104



Use of and impact on the six capitals

➔ See page 130



Stakeholder engagements

➔ See page 70

This report encompasses the performance of PostBank Uganda Limited for the year ended 31 December 2023. We have identified the most significant risks and opportunities from our operating context and key stakeholder relationships as crucial factors in determining the material matters to include in our report.

➔ 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 83 of this report.



Board responsibility statement

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



→ About Our Integrated Report



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

We have implemented a continuous approach to integrated thinking. It considers the relationship between the various capitals we use or affect and the potential trade-offs inherent in our strategic choices. We observe the dynamic changes in these capitals over time, engage in trade-offs, assess our financial and non-financial performance, and consider the results and consequences for all stakeholders. Our unwavering commitment to value creation and preservation is deeply rooted in our purpose (see page 17), outlined within our business model (on page 26), and continuously integrated into our thought processes and decision-making. Throughout this report, we use icons to symbolize value creation, preservation, and erosion.

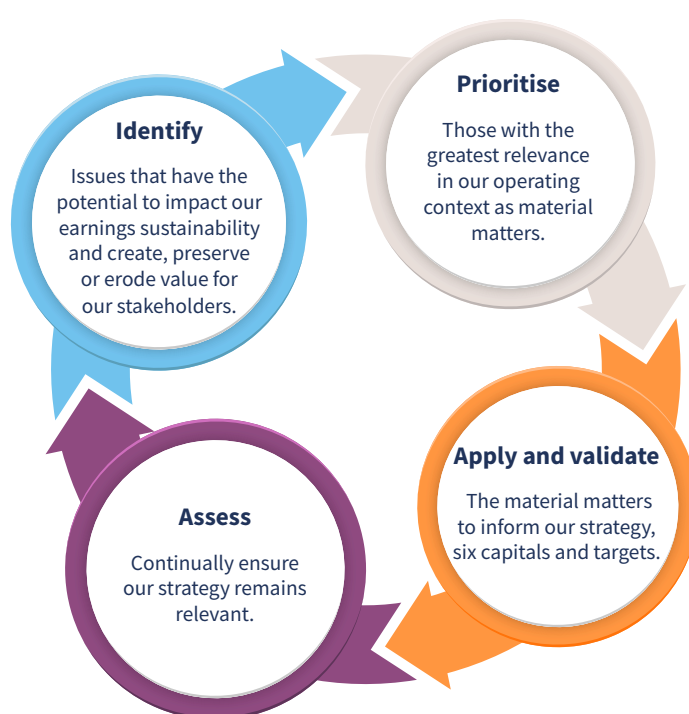
How do we consider materiality and our material matters?

GRI 102 -1

In our integrated report, we adhere to the principle of materiality—a compass that guides us in determining what information to include. This report specifically hones in on those risks and opportunities, that significantly impact on our six capitals and our ability to operate as a sustainable business. Our unwavering commitment is to consistently create, protect, and minimize value erosion for all stakeholders over the medium to long term. Identifying material matters is a collective responsibility across our entire Bank.

It involves assessing risks, opportunities, and feedback from our diverse stakeholders within our operating environment. These material matters, detailed on pages 83 to 84, shape our strategy and influence the evolution of our business model.

They also inform our short-term (one year), medium-term (two to three years), and long-term (five years or more) targets. Our Executive Committee (EXCO) and Board engage in continuous deliberation on these material matters during their meetings and throughout the strategy process, culminating in their approval as part of our annual business planning.



OUR INTEGRATED REPORTING PROCESS

OUR INTEGRATED
REPORTInternational
<IR> FrameworkCompiling
our reportReporting
standardsCombined
assurance modelValidating
the integrity
of the reportBoard and EXCO
review

EXCO sign off

Fulfilling our
purpose

Board approval

Board, EXCO, Integrated
reporting teamBoard, EXCO,
Internal and External
Auditors

Board, EXCO

Reporting period

This report is produced and published annually.

Targets and strategy

GRI 102-46

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

Targeted readers

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, and the communities that we impact on a day-to-day basis.

Financial and non-financial
Reporting

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. Refer to the financial statements starting on page 230.

Risk reporting

Specific board subcommittee reports are placed in the relevant sections given the integrated nature of our governance.

Queries

GRI 102-53

Your comments and queries on this report are welcome and can be addressed to the: Chief Finance Officer, PostBank Uganda Ltd, Plot 4/6 Nkrumah Road, peter.ssenyange@PostBank.co.ug

What process do we follow to compile the PostBank integrated report?

The 2023 integrated report is meticulously crafted through a collaborative effort that draws from EXCO (Executive Committee) and board discussions, meeting minutes, decisions, and approvals—each reflecting our commitment to integrated thinking. Additionally, we incorporate internal and external reporting of information as mandated by the Integrated Reporting (IR) Framework (2021). Our CFO (Chief Financial Officer) plays a pivotal role, leading the Integrated Reporting team—a diverse group representing our multifaceted interests. Subject matter experts across the Bank lend their expertise to this process. Multiple iterations of the integrated report are meticulously produced, with vigilant oversight from EXCO and the board. EXCO members diligently review these drafts ahead of board assessments. Furthermore, both executive and board members actively contribute to shaping the report's content.

The approval journey involves the active participation of all EXCO and board members. Independent assurance providers, including our Internal Auditors, provide essential oversight before the final approval and sign-off.

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. These assurances are provided by management and the board through rigorous internal reporting and reviews by internal audit and independent external sources and service providers. Our annual financial statements are assured by our external auditors, KPMG.

→ How We Create Value:

At PostBank, value signifies aligning with our stakeholders' objectives through the strategic decisions we make. 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 – Ministry of Finance, Planning and Economic Development.
- 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 the provision of sustainable financial services.

Creating Value

How we approach value creation

01



We assess our context

Creating Value

02



We consider our material matters

Creating Value

03



We integrate our strategy into our business model

Creating Value








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



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



Stakeholder goals

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

We assess our context

Operating context

The dynamic environment shaping our value creation process in Uganda is influenced by a myriad of factors. These include commercial and socio-economic realities encountered by businesses and individuals, geopolitical events, the diverse expectations of competing stakeholders, intricate competitive forces, and the weight of regulatory pressures. Each of these elements define the landscape within which we operate and strive to create sustainable value for all stakeholders.

 See Page 92

Stakeholder relationships

At PostBank Uganda Limited, we diligently manage our resources and relationships, ensuring responsible practices in all our endeavors. Our commitment is to deliver optimal outcomes for our diverse stakeholders. By understanding what each key stakeholder values most, we prioritize their needs. In return, we strive to create meaningful value from every relationship.

 See Page 70

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.

 See Page 82

We consider our material matters.

- We adopt a comprehensive approach to pinpoint factors that may impact our capacity to create value across short, medium, and long term frames. These considerations shape our strategic decisions, allowing us to navigate risks effectively and capitalize on emerging opportunities.
- In our materiality assessment, we identified five key trends stemming from our prioritized issues. These trends collectively represent the significant mega trends within our operational context.

Materiality Themes



 See Page 84

We integrate our strategy into our business model.

Business strategy

- At PostBank Uganda Limited, we strategically shape our offerings to provide affordable and sustainable financial services that foster financial inclusion—a catalyst for socio-economic development within the Ugandan context.
- Our decision-making process revolves around five strategic priorities or pillars. These critical levers influence our capacity to create value across short, medium, and long-term horizons. By aligning our actions with these priorities, we aim to empower our stakeholders and contribute to Uganda's progress.



Performance



Governance & Risk



Technology



People



Service

 See Page 104

Business model

- 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 foster prosperity for Ugandans.



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

 See Page 26

03

WHO WE ARE

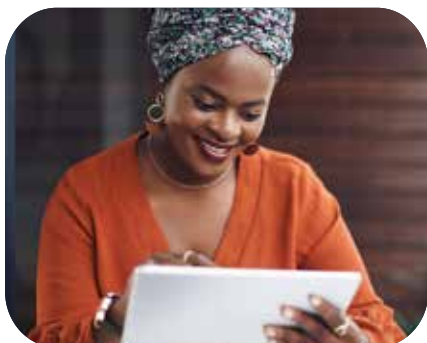
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- 20 Our Presence in Uganda
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- 24 Our Value Creating Business Model
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➔ Overview of our business

PostBank at a Glance

GRI 102-7



1998
year founded



OUR PURPOSE – [Why we exist.]

- ➔ To foster prosperity for Ugandans.



OUR TWO HIGH IMPACT GOALS

- ➔ Drive sustainable financial inclusion.
- ➔ Stimulate entrepreneurship and services.



Ushs **27.5 bn**
(2022: 15.2bn)



OUR PROMISE

- ➔ To be a value driven financial institution & market leader in financial inclusion.



1,545 Agents
(2022: 525)

Gross revenue

Ushs **207.6 bn**
(2022: 159.2 bn)



OUR VALUES

Passion
Integrity
Innovation
Teamwork



60
Branches



1,127
Wendi agents
across the country



14
Mobile vans



Kampala
Uganda Headquarters

GRI 102-5

Shareholding
100%
owned by
Government
of Uganda

We have at least
one Branch
in 42 districts



1,153
(2022: 1,099)
Permanent
employees

2,351
Graduate trainee
applications
(2021: 1,344)

Over
2,500
shared Agents on
Agency Banking

773,519
active customers

➔ Passion

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

➔ Integrity

Behaving with high ethical standards.

➔ Teamwork

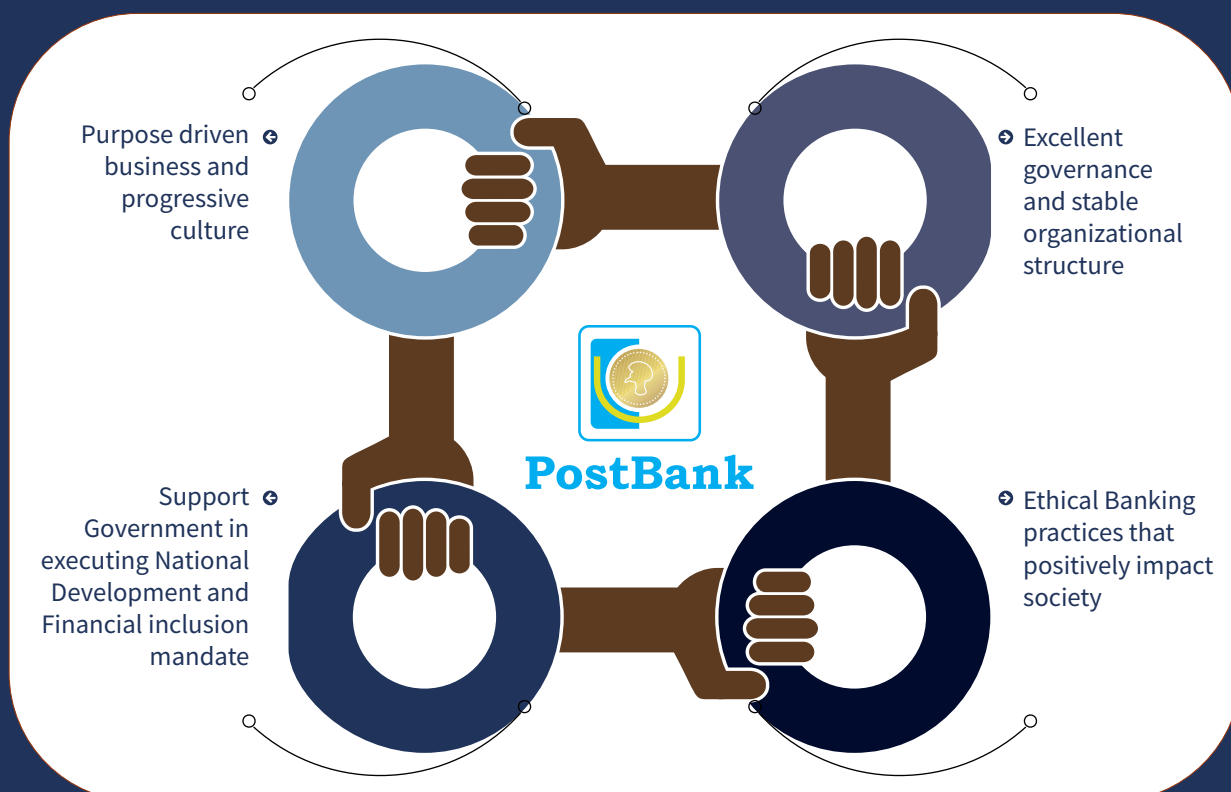
Encouraging partnerships between business – building a One Bank Culture.

➔ Innovation

We continuously find new ways to serve our customers.

Our strategic Intent: A people's bank that fosters prosperity for Ugandans

Our strength and Stability



Our 5 year performance trend from 2019 to 2023

	Goal	2019	2020	2021	2022	2023	YoY % Change
		Ushs Bn	Ushs Bn	Ushs Bn	Ushs Bn	Ushs Bn	(2022-2023)
Key income statement lines							
Total revenue		110.6	119.5	144.5	159.3	207.6	30.4%
Costs		95.1	98.0	117.4	128.1	134.6	5.1%
Credit loss provisions		2.9	6.3	9.5	10.7	9.1	15.1%
Profit before tax		12.6	15.2	17.6	20.5	34.5	68.4%
Income tax expenses		4.2	5.1	5.4	5.3	6.9	30.8%
Profit after tax		8.4	10.1	12.2	15.2	27.5	81.5%
Key balance sheet lines							
Shareholders' equity		86.8	101.4	117.1	135.6	163.8	20.8%
Customer deposits		347.6	449.0	507.3	689.1	789.8	14.7%
Financial assets at amortised cost		15.5	48.1	30.8	156.9	183.3	16.8%
Cash and cash equivalents		27.5	31.5	42.0	99.2	130.3	31.3%
Loans & advances		267.1	334.7	454.9	479.5	602.5	25.6%
Total assets		490.6	674.6	742.4	943.4	1,070.7	13.6%
Ratios							
Net Interest Margin (NIM) (%)	12%	17.1%	12.9%	15.8%	12.5%	16.0%	4%
Return on Equity (ROE) (%)	>17%	9.7%	9.9%	10.4%	11.2%	16.8%	6%
Return on Assets (ROA) (%)	>17%	1.7%	1.5%	1.6%	1.6%	2.6%	1%
Year on Year Growth in Earnings (%)	10%	14.2%	8.0%	21.0%	10.2%	30.4%	20%
Cost to income	80%	88.6%	87.3%	87.8%	87.2%	83.4%	4.5%
Regulatory capital requirements							
Tier 1 capital ratio (%)	15%	22.0%	21.0%	18.2%	19.6%	19.2%	(0.4%)
Tier 1 + Tier 2 capital ratio	17%	24.0%	22.0%	19.5%	20.9%	20.4%	(0.5%)

→ The inputs we rely on



Our Capitals

Our current and future relevance, as well as our capacity to generate long-term value, are intricately linked to the various capitals at our disposal. These capitals serve as inputs, fueling our value-adding activities. Our impact on these resources, in turn, influences the value we deliver—both in terms of outputs and outcomes. In this report, we delve into how we harness these capitals 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.



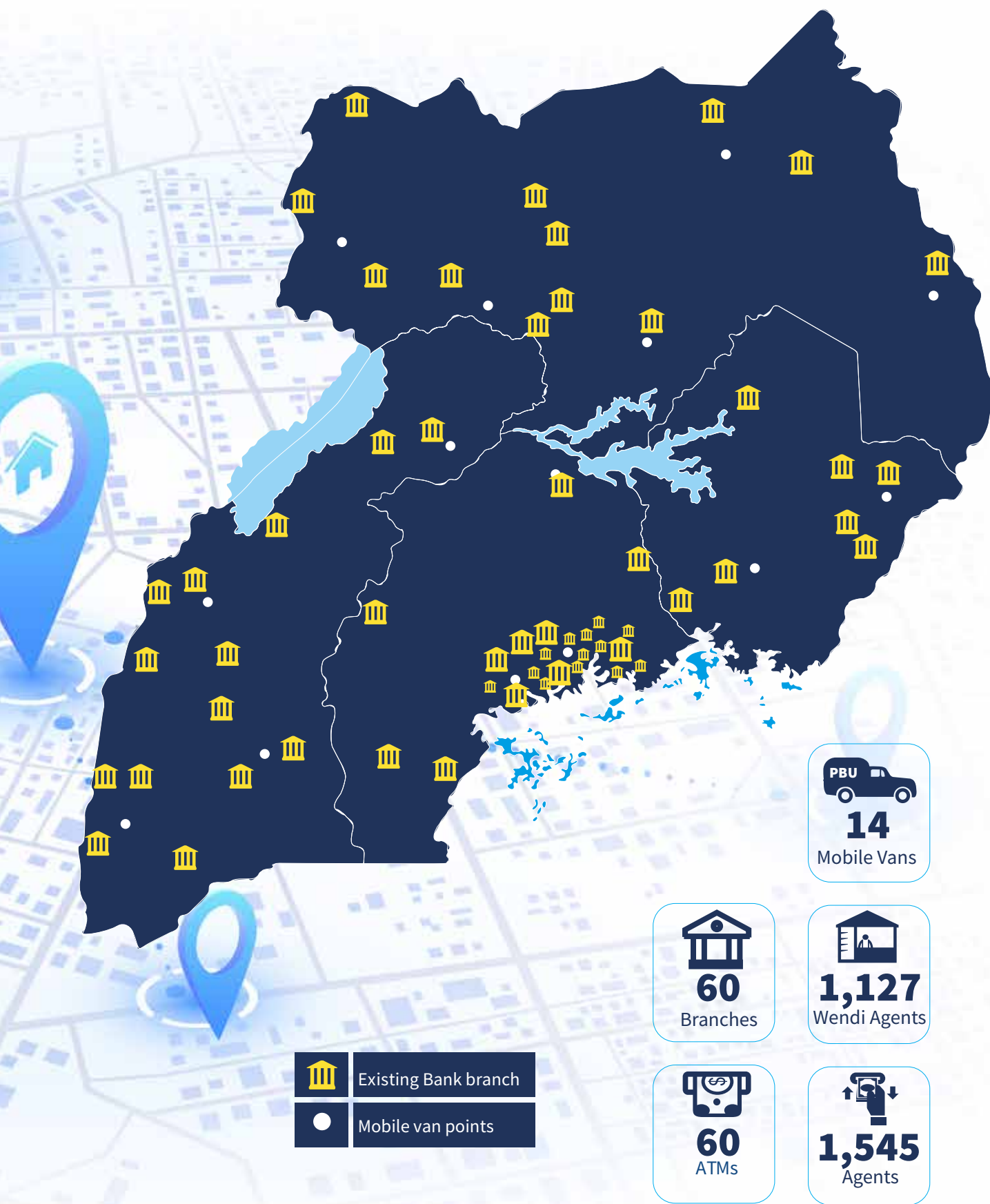
✦ **Natural Capital:** Our impact on natural resources through our operations and business activity.

→ Our Presence In Uganda

GRI 102-3,4 & 6

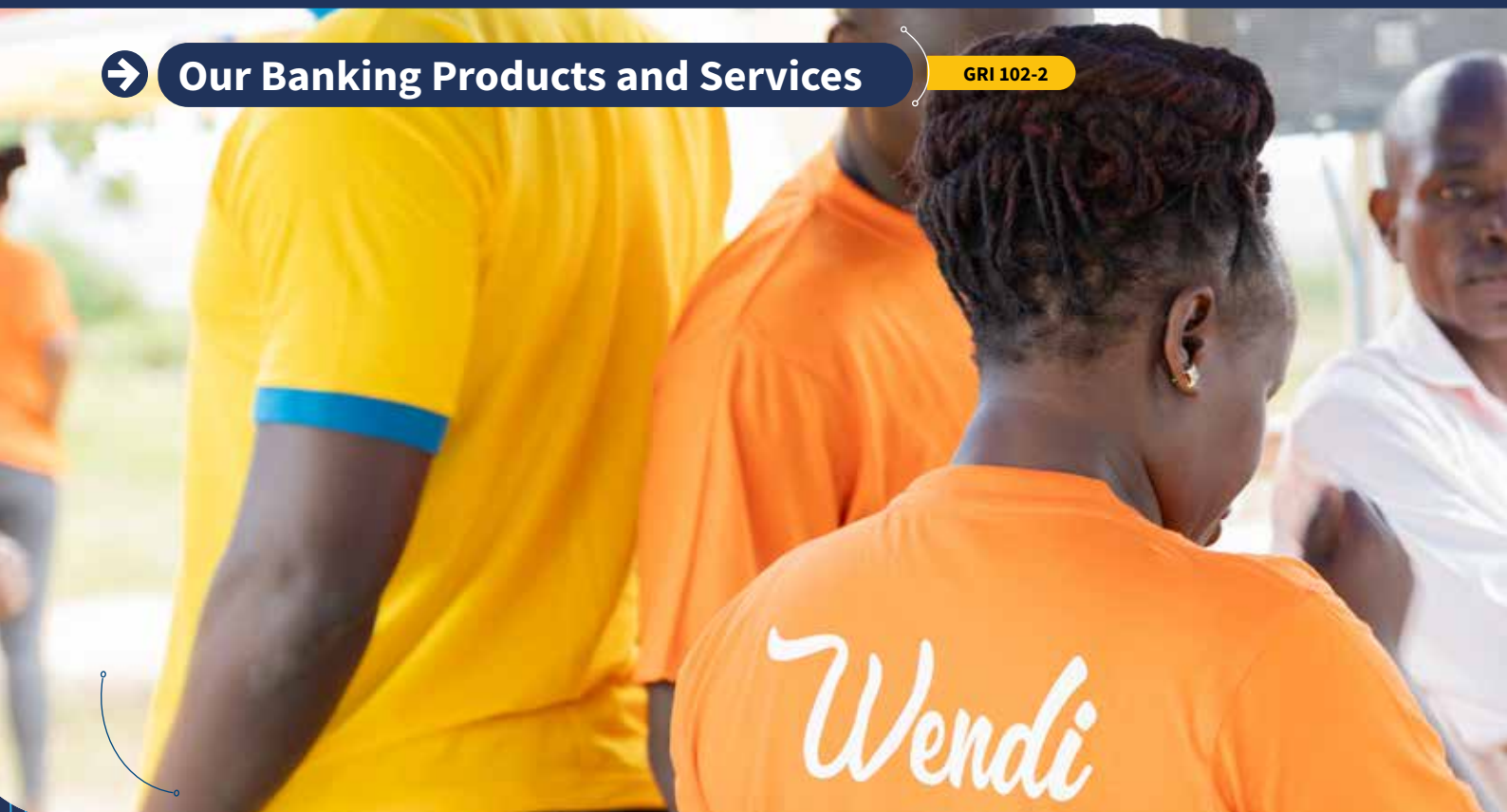
The Bank offers a range of products and services through an extensive network of **60** branches, **60** ATMs, **51** ATM recyclers, **14** mobile Banking vans, **1,545** agents including over **1,127** Wendi Agents across the country.

District	Branch
Amolatar	1
Anaka	1
Arua	1
Mbarara	2
Bombo	1
Kampala	13
Bukedea	1
Kanungu	2
Kiryandongo	1
Bushenyi	1
Fort Portal	1
Gulu	2
Hoima	1
Iganga	1
Jinja	1
Kabale	1
Kagadi	1
Wakiso	5
Ibanda	1
Kamwenge	1
Kapchorwa	1
Kasese	1
Kayunga	1
Kitgum	1
Kotido	1
Lira	1
Masaka	1
Masindi	1
Mbale	1
Moroto	1
Mubende	1
Mukono	1
Nakasongola	1
Ntungamo	1
Pakwach	1
Kiruhura	1
Soroti	1
Yumbe	1
Lwengo	1
Bushenyi	1
Manafwa	1
Total	60



→ 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 Accounts

- 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 Account.

Transactional Accounts

- 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.

Wendi

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.

→ Our Value Creating Business Model

Our value-creating business model is an integral part of our capitals. It defines the way we create value for all our stakeholders and is the foundation for our sustainable and continued growth.

The availability and quality of our six capital inputs

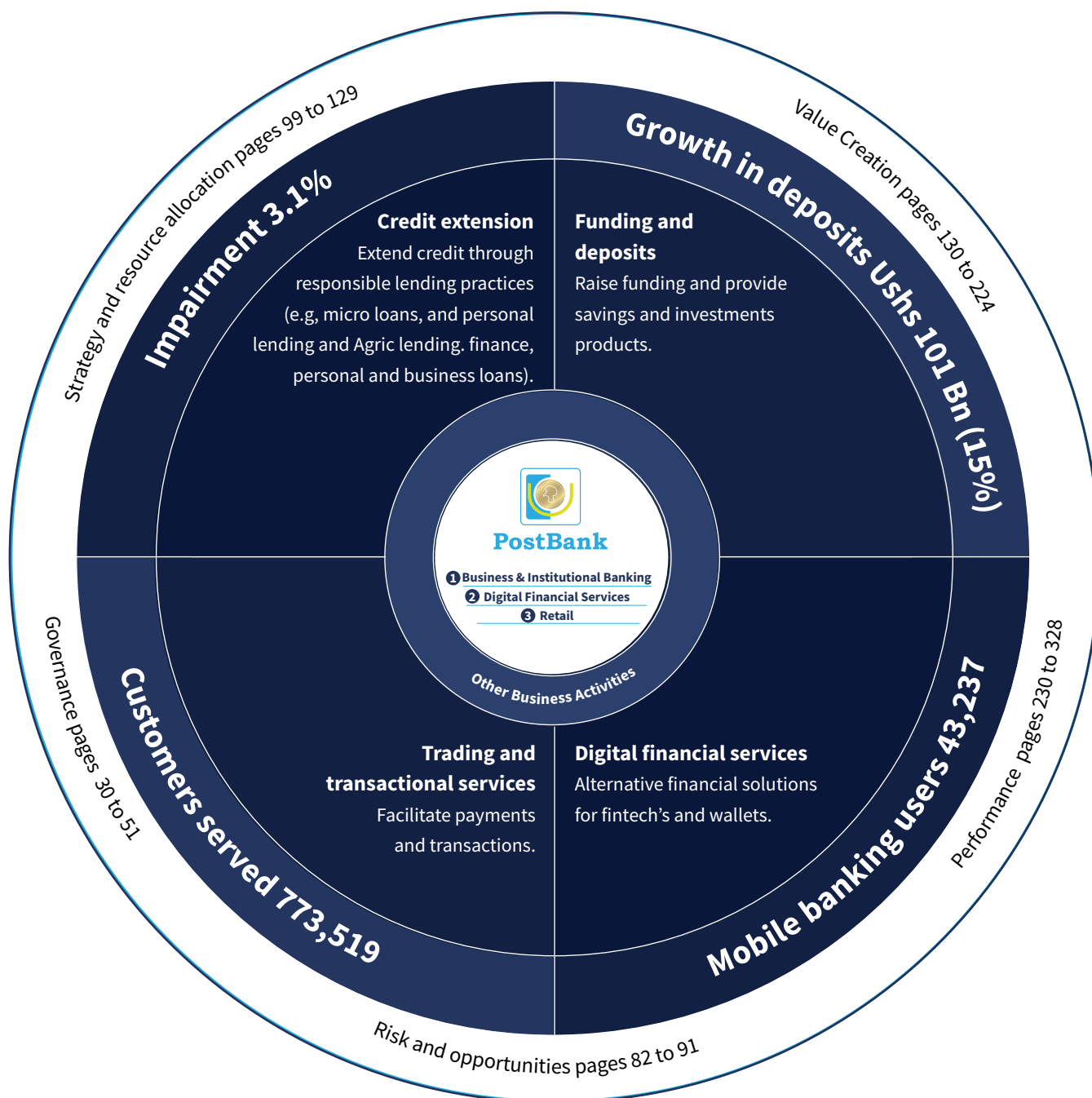
Financial capital		
 FC	Our shareholders' equity, funding from investors and clients that support our business and operational activities including credit extension.	<p>Ushs 163.8 billion in equity (2022: Ushs 135.6 billion)</p> <p>Ushs 41.4 billion in borrowings (2022: Ushs 53.1 billion)</p>
Intellectual capital		
 IC	The intangibles associated with the PostBank Uganda brand.	<p>Our brand: Our positioning as a Bank that drives financial inclusion</p> <p>Our Wendi PSP license</p>
Human Capital		
 HC	The knowledge, skills and experience of our people enable innovative and competitive solutions for our clients.	1,153 permanent employees (2022: 1,099)
Manufactured Capital		
 MC	Infrastructure (including property, equipment and digital) used in the delivery of our products to customers.	<p>60 branches</p> <p>60 ATMs</p> <p>51 ATM recyclers</p> <p>14 Mobile Banking vans</p>
Social and relationship Capital		
 SRC	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.	<p>The relationships with our key stakeholders</p> <ul style="list-style-type: none"> ☞ Employees ☞ Customers ☞ Development partners ☞ Regulators ☞ Suppliers ☞ Government
Natural capital		
 NC	Our impact on natural resources through our operations and business activity.	<p>36.1 million liters of water used (2022: 23.4 million liters)</p> <p>50,998 kgs of paper used (2022: 34,850kgs)</p> <p>1,910,000 kw of electricity used (2022: 1,540,512 kw)</p> <p>447,161 liters of fossil fuels used (2022: 289,670 liters)</p>



→ Our Business Model

By enabling business activities ...

that produce purpose-led products, services ...



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



Our Outcomes

[How we create, erode, and preserve value for our stakeholders]

Customers



Net impact of capitals



FC ▼



SRC ▲



IC ▲

We drove sustainable financial inclusion and stimulated sustainable entrepreneurship and services for the benefit of our customers.

	+	Leverage on technology to deliver Agency Banking at the community level to drive access to financial services. Number of Agents: 1,545 agents (2022: 525 agents).
	+	Delivering financial services on mobile phones through Wendi (1,127 agents across the country) and our Mobile Banking application (Mobile Banking and USSD users 43,237 (2022: 34,277)).
	+	Wendi: <ul style="list-style-type: none"> 430,000 customers enrolled. Ushs 4.1 Bn average deposits. Ushs 200 Bn disbursed for PDM.
	+	Enhance straight through processing through the introduction of instant RTGS and TT processing.
	+	We segmented our clients in 2023 into Business and Institutional Banking, Retail Banking and Digital financial service to provide responsive client centric solutions.
	+	Providing flexible Banking solutions and capacity building and innovation for our MSME clients.
	+	Supporting local contractors and business in successfully delivering Government Contracts.
	+	Deliberately support our communities by financing projects and businesses that promote the use of renewable energy and water conservation.
	-	Number of new branches opened during the year 2 (2022: 3 branches).

Development partners and Suppliers



Suppliers' net impact on capitals:



FC ▼



SRC ▲

Development partners' net impact on capital:





FC ▲



SRC ▲

We continue to transparently meet our obligations with development partners as well as maintain a fair and productive relationship with our suppliers. Uganda hosts one of the biggest refugee populations in the World. PostBank with the support of development partners, delivers vital payment solutions to these vulnerable populations using our first in class mobile Banking vans.

A source of business opportunity and growth 	-	Ushs 36.1 billion in total annual procurement spend (2022: Ushs 42 billion).
	-	% of BUBU our procurement spend: 95.05% or Ushs 34.3 billion (2022: 95.98% or Ushs 40.2 billion).
	+	% of indigenous Ugandan Suppliers in our procurement spend: 52.28% or Ushs 18.8 billion (2022: 43.9% or Ushs 18.2 billion).


A reliable and preferred mass payments provider to persons of concern. 	-	Development partner payments to refugees & people of concern: Ushs 101 billion (2022: 124.3 billion).
	-	Number of refugee & people of concern households served: 1,182,945 (2022: 1,298,243).


Our shareholder – Government of Uganda

Net impact on capitals:



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 Governments 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: Ushs 1,070 trillion (2022: Ushs 946 billion)
	+	Profit after tax: Ushs 27.5 billion (2022: Ushs 15.2 billion)
	+	Gross revenue: Ushs billion 207.6 (2022: Ushs 159.2 billion)
	+	Return on equity: 16.8% (2022: 11.2%)
	+	Cost: Income ratio: 83.4% (2022: 87%)
	+	NPL ratio: 2.9% (2022: 3.4%)

Responsible Corporate citizen and key contributor to NDP III goals of the Government of Uganda. 	+	Number of Loans disbursed: 36,736 (2022: 37,055)
	+	Tax paid to Government of Uganda: Ushs 6.6 billion (2022: Ushs 4.8 billion)
	+	Agriculture loan portfolio: Ushs 164 billion (2022: 106.2 billion)
	+	Loan book: Ushs 602.5 billion (2022: Ushs 479 billion)
	+	Number of agriculture loans disbursed: 12,582 (2022: 11,810)

Employees



Net impact of capitals



In 2023, we continued to focus 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 72% (2022: 85%)
–	39 graduate trainees offered permanent roles in the Bank (2022: 54)
+	2,351 graduate trainee applications received (2022: 1,344)
+	Average training hours per employee 17.8 hours (2022: 8)
+	Provided gainful employment: Number of staff 1,153 (2022: 1,099)
+	Training spend: Ushs1,359 billion (2022: 862 million)

Regulators



Net impact of capitals



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

A well governed
organization.

- We continue to maintain our license to operate and operate within the parameters established by the Bank of Uganda.
- During the year we received a Payment Service Provider (PSP) license for Wendi.



Strategy Team

04 | TELLING OUR GOVERNANCE STORY

- 31 Tone From the Top
- 36 How The Board Works as a Team
- 44 Key Actions of the Board and its Committees
- 48 The Board Effectiveness
- 50 Communication & Engagements with Our Shareholders





1.

TONE FROM THE TOP

Mr. Andrew Otengo Owiny
Board Chairman



In a world where state-owned entities create significant strain on public resources and cause public embarrassment to the very Governments and citizens they are supposed to serve through chronic inadequate governance, pilferage and general mismanagement that results into sustained failure to deliver on stated goals, my colleagues and I have set out to be different.

At PostBank, acting responsibly is at the heart of what we do and as a board member, I firmly believe that a strong governance framework plays a pivotal role in ensuring that we continue to conduct business responsibly at all levels within the Bank. This in turn benefits all key stakeholders who count on us to grow the bank from strength to strength in a sustainable and responsible manner, and mindful to ensure significant sustainable growth in shareholder value.

I am 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. I have included a section on how the board works as team on page 36.

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.

In this regard, we continue to apply additional governance codes such as King IV to bolster its oversight over matters such as ethics and integrity.

My belief is that our deliberate and intentional approach to governance built on our goal congruent management approach contributes to better decisions that are relevant to our operating context and deliver on our strategic priorities.

My key priorities during the year

- Meeting the revised regulatory capital requirements.
- Operationalization of Wendi. See our intellectual capital section on page 156.
- We met the majority of our strategic goals of our previous strategy ahead of time. In 2023, I focused on charting a new strategy forward to drive the

business and incorporate sustainable business practices.

➤ As a bank, deposit mobilization is constantly at the top of mind for our leadership. This year, we have taken deliberate efforts to strengthen partnerships that drive this important strategic objective.

The key actions we have taken to meet the above priorities demonstrate our commitment to effective governance and are detailed on pages 46 to 47.

We continue to challenge how we perform as a board and are pleased to announce that the overall conclusion from our recent Board Evaluation is that the PostBank board is professional, and functions optimally as detailed on page 48.

Our ongoing discussions with our shareholder, The Government of Uganda, and our partners focus on strategies to promote financial inclusion and achieve our National Development Goals.

I remain committed to ensuring that our corporate-governance structures remain robust and compliant.

→ Our Governance Philosophy

The Board's chief aim is to drive financial inclusion for the social economic development of Uganda by optimising the Bank's value creation strategy that delivers affordable and sustainable financial services through ensuring the effective use of our capital inputs for the benefit of key stakeholders.

PostBank is dedicated to upholding the highest standards of governance, ethics, and integrity. These principles are crucial for our continued value creation, preservation and the protection of the value and interests of all our stakeholders. We firmly believe that adhering to good governance practices facilitates increased accountability, robust risk and performance management, transparency, and ethical and effective leadership.

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 valuation creation and preservation in manner that limits value erosion.

Our stakeholders



Our capitals



Strategy
Processes
Actions

Integrated
thinking leading
to mindful
governance

Culture, Ethics, and Values

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

1

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

Participation of the board in high risk and value transactions

Mechanisms to review and manage client and supplier relationships when necessary

Letter of representation process

2

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

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



Continuous board training.



On call professional advice from external partners when required.



Timely, sufficient, and uniform information before meetings from management.



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 of 8 meetings a year. Main board and committees able to arrange additional meeting should Bank affairs require that this is so.



Clear delegation protocols to ensure the board focuses on the most important matters.



Co-opt other board members on committees for their expertise on a matter.



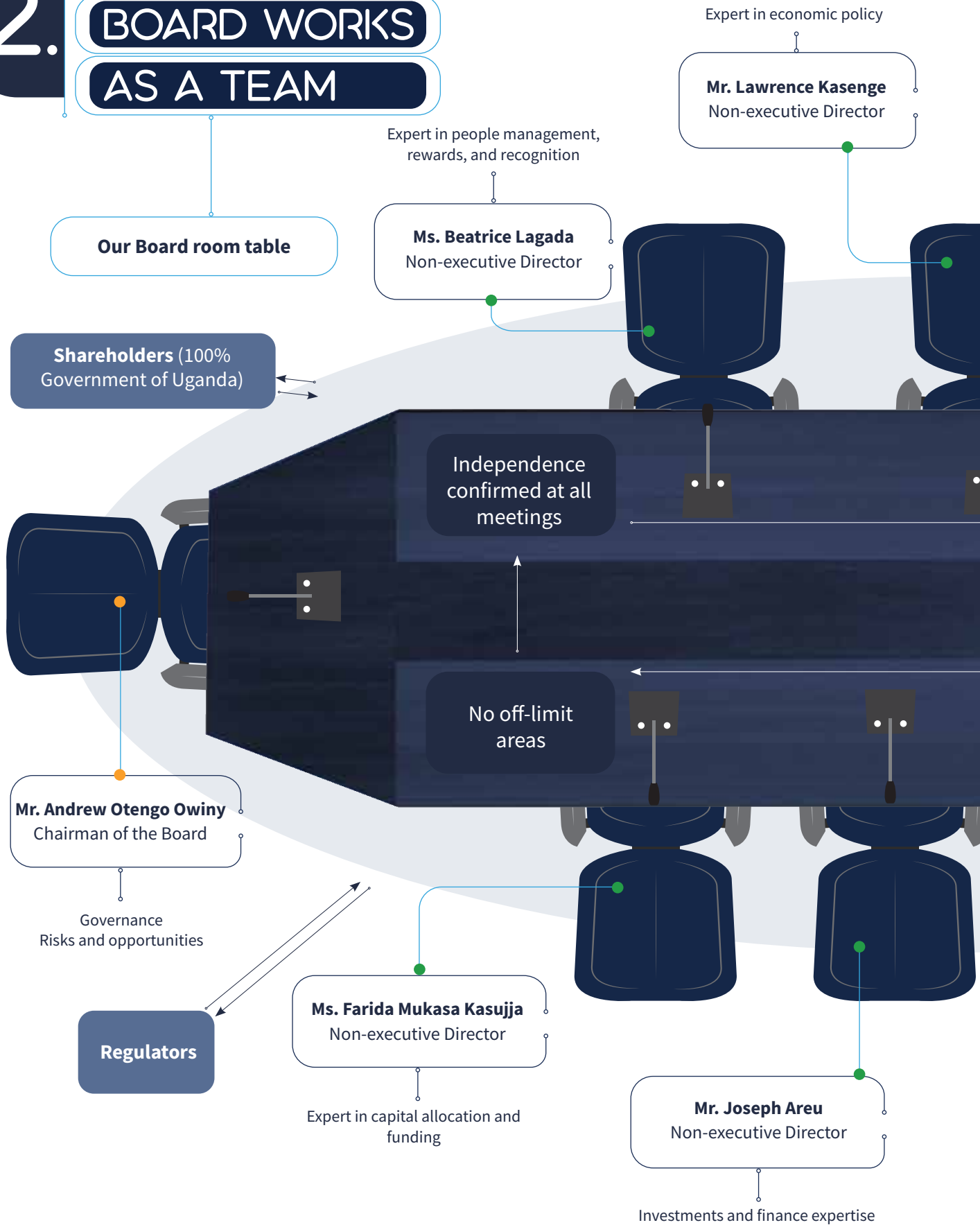
A robust induction program for both Non-Executive and Executive directors.



2.

HOW THE BOARD WORKS AS A TEAM

GRI 102 - 18



Expert in technology,
operations, and risk

Mr. Andrew Kabeera
Executive Director

EXCO	Accountabilities
➤ Managing Director	➤ EXCO, marketing & strategy
➤ Chief Digital Financial Services Officer	➤ 1. Digital Financial Services. 2. Change and Project Management. 3. Innovation.
➤ Chief Operating Officer	➤ 1. Operations & Service. 2. Business technology. 3. Cyber security.
➤ Chief Finance Officer	➤ Finance, Capital & Procurement
➤ Chief of Business	➤ Business
➤ Chief Credit Officer	➤ Credit
➤ Chief Human Resource Officer	➤ People and Culture
➤ Chief Risk Officer	➤ Risk management
➤ Chief Internal Auditor	➤ Internal assurance

Stakeholder management
Financial markets and funding

Mr. Julius Kakeeto
Managing Director

No dominant
personalities

Listen first
speak after

Stakeholders

Mr. Johnson Mugulusi
Non-executive Director

Audit and internal controls expertise

Ms. Justine Tumuheki Wabire
Company Secretary

Expert in compliance, laws, and
regulations

- Executive Directors
- Non-Executive Directors
- Chairman
- Company Secretary

Our Directors Profiles

Non-Executive Director & Chairman

Executive Directors

Non-Executive Directors



Mr. Andrew Otengo Owiny
Chairman of the Board

Years on board: 3



AC RMC ALC HRC

Mr. Julius Kakeeto
Managing Director

Years on board: 5



RMC ALC RIT

Mr. Andrew Kabeera
Executive Director

Years on board: 4



RMC ALC RIT

Mr. Johnson Mugulusi
Non-Executive Director

Chair AC
Years on board: 1



AC RIT

Ms. Beatrice Lagada
Non-Executive Director

Chair HRC and CC
Years on board: 6



AC RMC HRC RIT

Independence – protecting the interests of all shareholders

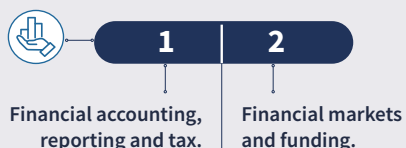
The majority of PostBank's board members are independent non-executive directors, which complies with King IV and global best-practice governance. The size of the Board, at 8 members, is influenced by the demands of a large and complex Banking industry. The size gives the board adequate membership for its five board committees, of which all are statutory, while adequate levels of independence are maintained. We have implemented practical mechanisms and processes to drive ethical behaviour as part of maintaining a culture of ethics, including but not limited to:



Board Committees:

AC Audit committee.

RMC Risk Management & Credit committee.



Non-Executive Directors

Company Secretary



PostBank Policy

Mr. Lawrence Kasenge
Non-Executive Director

Years on board: 6



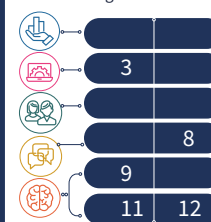
RMC ALC HRC

Ms. Farida Mukasa Kasujja
Non-Executive DirectorChair ALC
Years on board: 3

AC ALC HRC

Mr. Joseph Areu
Non-Executive DirectorChair Risk and IT
Years on board: 2

AC RIT RMC ALC

Ms. Justine Tumuheki Wabire
Company SecretaryCompliance, laws, and
regulations

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), six (6) Non-Executive Directors.

Executive and non executive Directors

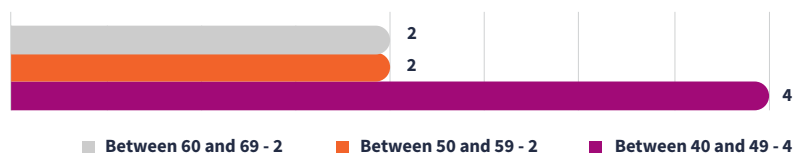


■ Non executive Directors ■ Executive Directors

Tenure on the Board



Directors age



ALC

Assets and Liability committee.

HRC

Human Resources and Compensation committee.

RIT

Risk and IT.



7

Corporate Social
Responsibility.

8

Stakeholder
management,
public administration.

9

Risks and
opportunities.

10

Technology,
innovation, and
cyber security.

11

Compliance, laws,
and regulations.

12

Governance.

Diversity

We are committed to promoting diversity at board level and believe that diversity is the key driver of effective and in touch decisions which are only possible through equitable representation. We are committed to ensuring that we are comprised of a board that fairly represents the demographics of Uganda. We are mindful of gender diversity and are consistently revisiting our targets and succession planning to increase our female representation.

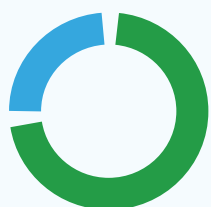
Knowledge skills and experience

PostBank requires a broad range of skills and experience to ensure sustainable value is created in the interest of all stakeholders.

The board determines the required composition of skills in response to the rapidly changing environment and shifts in our long-term strategy.

Having the appropriate mix of skills and experience ensures that the board, as a collective, is well equipped to guide and drive the Bank's strategy into the future.

Board Diversity



■ Male Board Members ■ Female Board Members

Board Skills and Experience



→ Our Board Structure and Mandates

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. The board delegates authority to the established board committees as shown below as well as to the CEO, with clearly defined mandates. As of Q3 2023, the Board changed its composition to five committees to align with the Consolidated Corporate Governance guidelines.

Key corporate governance practices

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

NB: Mr. Johnson Mugulusi took over from Mr. Joseph Areu as audit committee Chairperson. Mr. Areu has since taken on the role of the newly instituted Risk and IT committee.

Chairperson's committee attendance



Audit committee

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.

Membership

J. Mugulusi - Chair

J. Areu

F.M Kasujja



FC

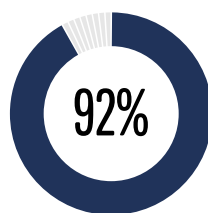


MC

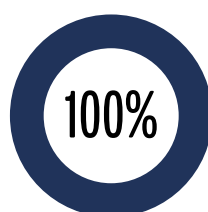


IC

Overall attendance



% of committee members who are independent



Credit committee

Advises the Board on its oversight responsibilities in relation to our lending policy. Delegates lending limits to approved authorities within the Bank and approves insider loans. Reviews policies and procedures governing credit impairment.

The committee ensures that value is created and preserved by continuously monitoring the quality of the Banks loan book.

Membership

B Lagada – Chair

L Kasenge

J. Areu

J. Kakeeto

A. Kabeera



FC



MC

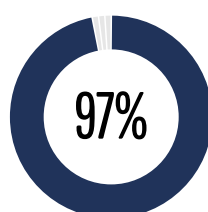


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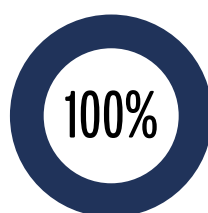


NC

Overall attendance



% of committee members who are independent



Risk and IT Committee

Advises the Board on its oversight responsibilities in relation to risk management activities including risk appetites, frameworks, policies, and procedures for risk management and accepts risks beyond the approval discretion delegated to management.

The committee ensures that value is created and preserved by continuously monitoring the Banks risk management systems. Effective risk management ensures value erosion is minimized.

Membership

J. Areu – Chair

J. Mugulusi

B. Lagada

J. Kakeeto

A. Kabeera



FC



MC



IC



SRC

Human resources and compensation committee

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

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

Membership

B Lagada - Chair

F.M Kasujja

L. Kasenge



FC

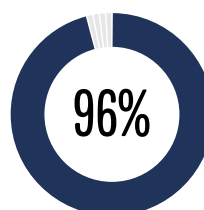


HC

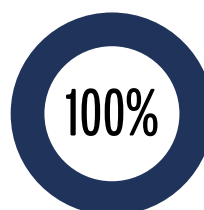


SRC

Overall attendance



% of committee members who are independent



Asset and liability management

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.

Membership

F.M Kasujja - Chair

L. Kasenge

J. Mugulusi

J. Kakeeto

A. Kabeera



FC

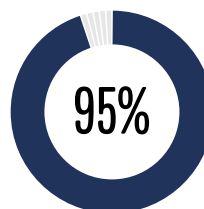


MC

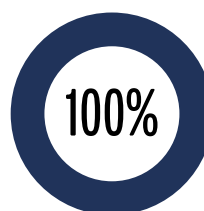


IC

Overall attendance



% of committee members who are independent

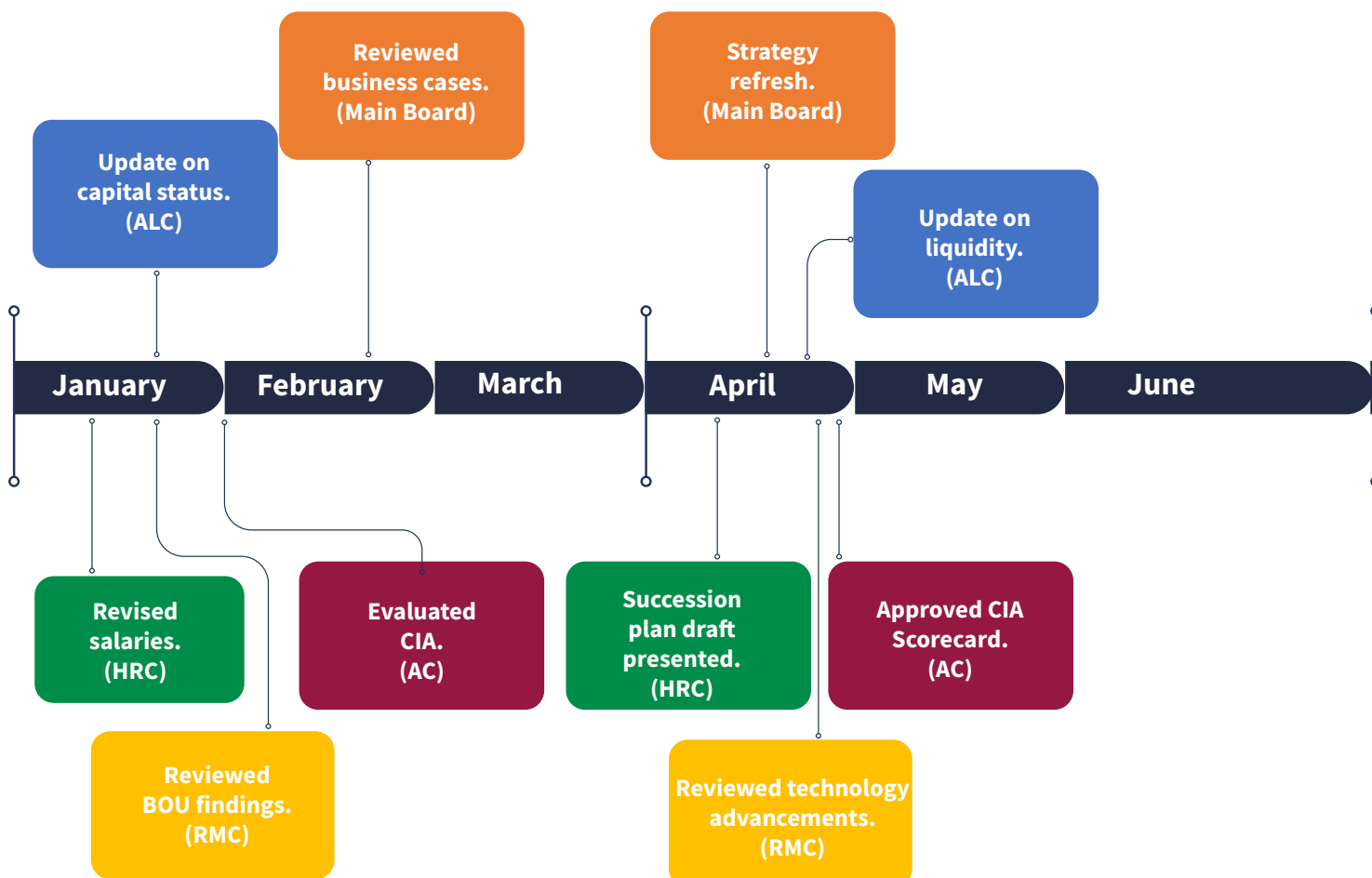


3.

KEY ACTIONS OF THE BOARD AND ITS COMMITTEES



Our Board has a program of oversight to ensure we focus on the right things. This includes guiding actions that align with delivering management actions towards achieving our strategy.



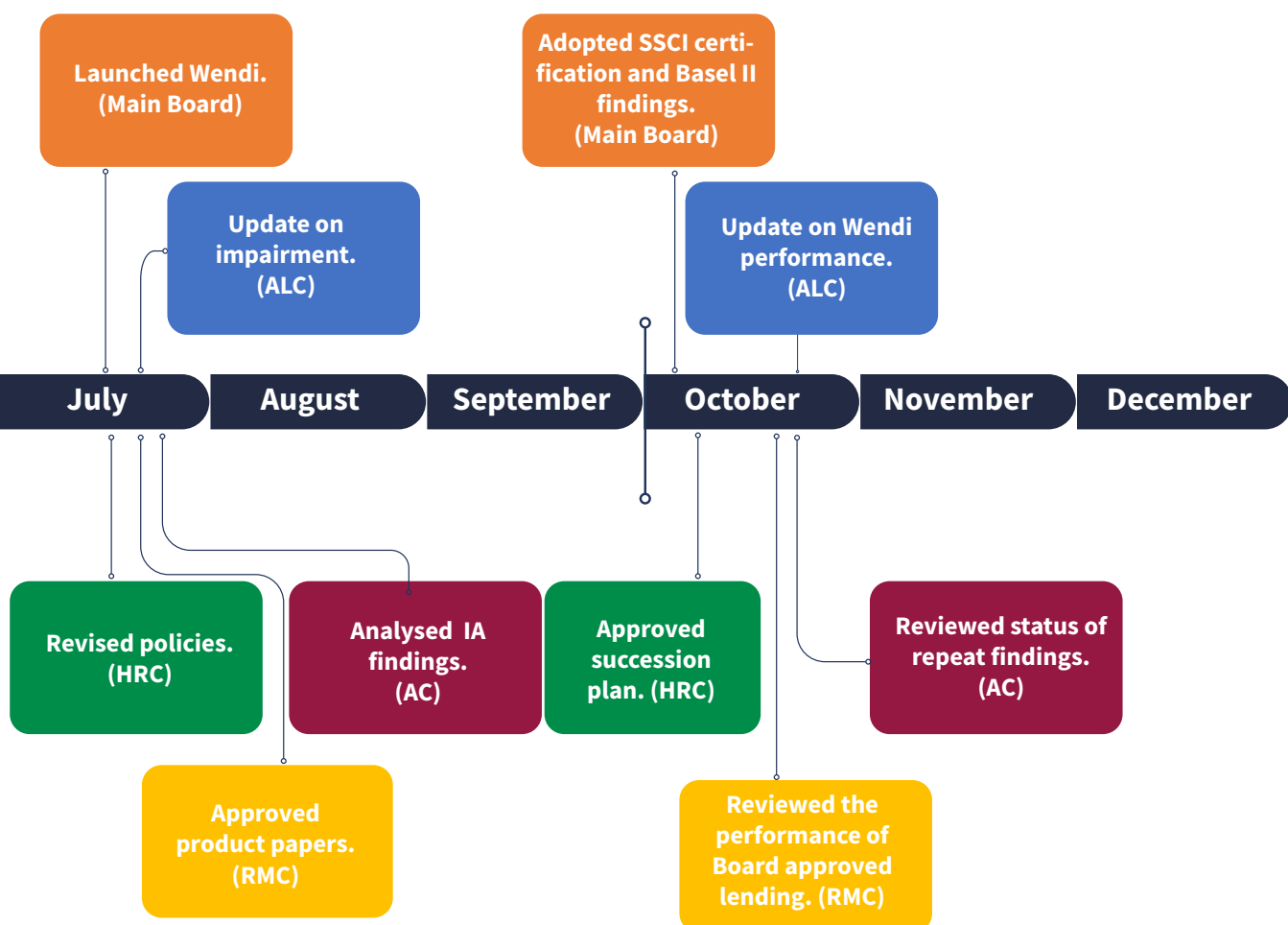
Our Board Committees

- Assets and Liabilities Committee
- Main Board
- Human resources and compensation committee
- Audit Committee
- Human Resource Committee















Governance in action. Details of the key decisions our Board made during the year can be found on the following pages:

Strategy refresh – page 104 to 106
Wendi launch – page 167 to 168



Inputs linked to King IV	Actions taken during the year	Strategic priorities
<p>Ethical and effective leadership</p> 	<ul style="list-style-type: none"> ➤ Actively engaged management on operations through board and committee meetings. ➤ Approved and implemented the recommendations from last board evaluation. ➤ Ratified the decision to approve amendments to the Human Resources, Disciplinary Code, Sexual Harassment and the Remuneration and Rewards policies. 	 <p>Governance & Risk</p>
<p>Strategy, performance, and reporting.</p> 	<ul style="list-style-type: none"> ➤ Initiated a strategy update to better align the Bank with the current operating context. ➤ Aligned branch structure to support graduation to Tier 1. ➤ Rolled out new graduate management program. ➤ Launched new product offerings to expand the Banks reach and range of services. ➤ Approved the business case for the closure of a contact center and the expansion of the ATM network through offsite installations. ➤ Officially launched the Banks new E-Wallet 'Wendi' which is licensed under the National Payment Systems Act of 2020. ➤ Approved the proposal for the construction of the Banks new Head Office. ➤ Ratified the amendments to the ICT, ICT Administration, Operations, Information Security, Project Management Framework, Strategic Planning, Legal, Financial Markets, Policies and Procedures Management, Customer Service and Credit Reference Services Management Policies. ➤ Approved the introduction of the Vendor Management Framework, Data Protection and Privacy Policy and the Customer Protection Policy. ➤ Approved various product papers and partnerships aimed at enhancing customer service offerings. ➤ Merged the Data Analysis with the Product Unit to improve efficiencies and synergies. ➤ Revised the credit department structure to facilitate smoother and faster credit operations. ➤ Approved the Basel II Implementation-Pillar 3 Market Discipline/Disclosure report for submission to Bank of Uganda. 	 <p>Performance</p>  <p>Technology</p>  <p>Service</p>

<p>Appropriate balance of knowledge, skills, experience, diversity, and independence.</p> 	<ul style="list-style-type: none"> Monitored board conflict of interest and independence declarations. Facilitated and oversaw the handover of the audit committee chairpersonship to Director Johnson Mugulusi. Renewed the contract of the Executive Director for a term of 4 years. Approved the EXCO 2022 appraisal results. 	 <p>Governance & Risk</p>  <p>People</p>
<p>Structured and delegated authority.</p> 	<ul style="list-style-type: none"> Revised the structure of the treasury function. Approved the appointment of a substantive anti money laundering control officer. Increased the number of level II signatories to promote efficiency and improve the turnaround time for serving customers. Approved the updated Succession Plan for the Bank. Proposed and implemented internal structural arrangements to support roll out of Wendi. 	 <p>Governance & Risk</p>  <p>People</p>  <p>Service</p>
<p>Assurance and controls.</p> 	<ul style="list-style-type: none"> Successfully oversaw the completion of the Core Banking system and ATM Switch upgrades. Received PPDA accreditation on over 40 procurement areas. Invested in the continued strengthening of the Cyber Security System. Proactively assessed security undertaken on all projects. Approved additional layers of security controls to protect our infrastructure storing and transmitting of confidential information. Evaluated and appraised the Chief Internal Auditor. 	 <p>Technology</p>
<p>Stakeholder relationships.</p> 	<ul style="list-style-type: none"> Revised the Bank wide salary structure. Ratified the decision to increase staff salaries by 7% to bolster retention and improve employee satisfaction. Approved staff bonus payment in line with the approved bonus policy. Oversaw the Banks Sustainability Standard Certification from European Organisation for Sustainable Development. 	 <p>Governance & Risk</p>  <p>Performance</p>

4.

THE BOARD'S EFFECTIVENESS



Our Policy

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

How the evaluation process works

Our board and committee self-evaluation process allows for annual assessments of the board practices and gives the board the opportunity to identify areas of improvement. Our charter requires an independent external evaluation of the board in line King IV and the expectations of our regulator.

Process followed

Board discussion on who will conduct the evaluation including desired deliverables.
Appointment of the Institute of Corporate Governance of Uganda as independent evaluator, they:

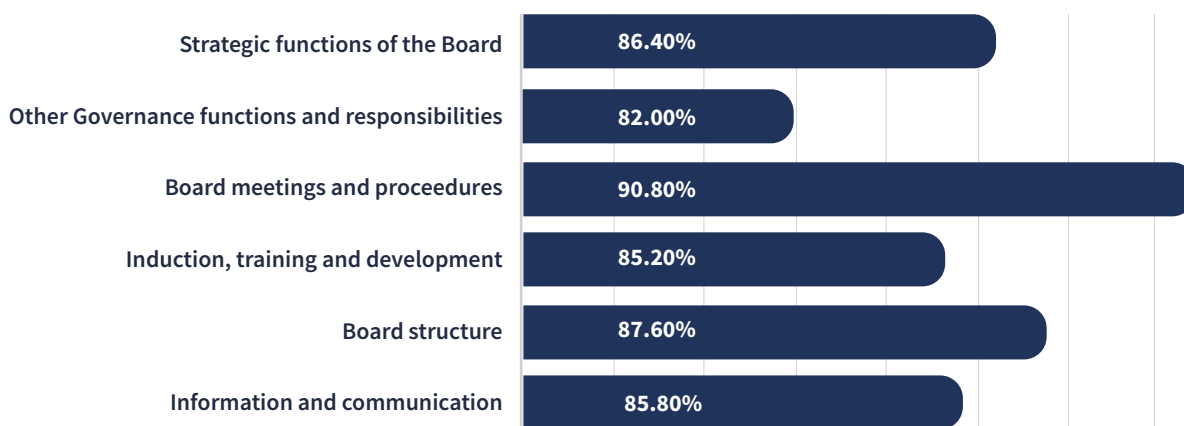
- Held one on one meetings with Board Members
- Sent Board members self-assessment evaluations
- Presented report for discussion
- Agreed action plan



- We measure our effectiveness through a rigorous process that provides feedback on how effectively the board and its committees are working together.
- Our balanced assessment allows the board to effectively monitor the actions and responses taken to address underperformance.
- This ensure that the right issues are being discussed and kept on our agenda until they are successfully addressed.
- All matters are addressed in a forward-looking manner.
- Our board's effectiveness forms a critical link connecting strategy, risk management, performance, and rewards.

Findings

Overall Board Evaluation



Recommendations

The Board has taken all the findings of the evaluation into consideration and has immediately implemented an action plan.

Our Director's performance based remuneration in 2023.

		Retainer fees (Ushs)	Meeting allowances (Ushs)	Airtime allowance (Ushs)	Total (Ushs)
2022	Executive Directors	-	-	-	-
	Non-Executive Directors	165,787,341	206,010,442	2,200,000	373,997,783
2023	Executive Directors	-	-	-	-
	Non-Executive Directors	346,311,000	609,578,000	8,800,000	964,890,000

5.

COMMUNICATIONS & ENGAGEMENTS WITH OUR SHAREHOLDER



The Board engaged the Government of Uganda, the Bank's shareholder on the following matters:





05

OUR SUSTAINABILITY REPORT

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- 57 Reporting principles
- 58 Our Economic, Environmental & Social focus
- 59 Impact on our Economy, Society, & the Environment
- 64 Tackling financial inclusion
- 67 Social & environmental impact
- 68 Our ESG strategy



➔ Our Approach to Sustainability

Profitability through sustainability

Our future – A change in business approach

In November 2023, after a five year strategic overhaul to stabilize the bank, we charted a new direction for the period 2024 to 2028 (see strategy sections on pages 104 to 106 as well as governance decisions on page 44 to 47).

The thrust of our new strategy is to embed business sustainability that incorporates economic, environmental & social factors into the bank's policies, practices, and processes to create long term benefits for our organization, staff and its stakeholders while being mindful of conserving and protecting resources.

As a State Owned Enterprise (SOE), we are mindful of our shareholders' dual expectation of the bank and its management. Firstly, to provide impactful and affordable financial services to foster prosperity for Ugandans and secondly to consistently build a strong institution that is impeccably governed and positively contributes to the development of Uganda as a whole. In alignment with these expectations, the board in November of 2023 approved our approach to sustainability as part of the bank's new strategic direction. We shall be profitable through sustainability.

How we embed sustainability considerations in our business - PostBank's way

The long-term success and prudent oversight of PostBank requires that we consider the legitimate interests and expectations of a wide range of stakeholders and respond to the changing expectations, opportunities and threats that influence our future viability as an organization in the Ugandan economy.



Our purpose: Why we are here	How we fulfill our purpose: Our top two priorities (High impact goals)	Why these priorities matter to us and our stakeholders	Our expected impact & outcomes for stakeholders
We exist to foster prosperity for Ugandans	We drive sustainable financial inclusion.	<ul style="list-style-type: none"> Our approach to corporate profitability is to create a strong organization without ignoring or compromising on social, ethical, and environmental accountability in the Ugandan context. Our client solutions must enhance the quality of lives of the people we serve in our business. We support the real economy and play an instrumental role in making it regenerative through innovative solutions. Our role in ensuring adequate capital flow to resource efficiency and credit access for MSMEs is indispensable to the long-term profitability of our business. 	<ul style="list-style-type: none"> More Ugandans financially included in the money economy of the nation. Increased household incomes. Growth in savings. Facilitate intra Africa trade and remittances.
	We stimulate entrepreneurship and services in the Ugandan context.		<ul style="list-style-type: none"> Improved SME access to vital credit financing. Increase in household incomes. Growth in agricultural exports and related foreign exchange inflows. Improved standards for Agri production practices and protection for the environment. Job creation.

Through integrated thinking we are clear about what drives value in our business. To this end we consistently align these eight aspects of our business operations to embed sustainability considerations in all we do.

The pillars that embed sustainability in our business	Why these matter								
1) Governance	<p>Our goal is to become a value driven financial institution that delivers optimum value to all stakeholders, including but not limited to our shareholders. In this way we ensure PostBank's long-term organizational success. Therefore, we align the following.</p> <ul style="list-style-type: none"> Goal setting and performance measurement aspects to include institutional sustainability (Corporate performance targets), Social sustainability targets, Economic sustainability targets and environmental sustainability targets. Board and Executive Management performance, competency, and diversity. Long-term view: Review and align all policies with organizational purpose and high impact goals (our top 2 priorities). Board code of conduct for sustainability as well as crisis resilience and readiness. <p>See our governance section on page 31</p>								
2) Management	<p>Formalize and create a robust goal implementation plan to execute against these targets (financial & non-financial). Sustainability necessitates that we constantly innovate to create value for shareholders, customers, society, environment, and the economy.</p> <p>All innovation programs are linked to the achievement of our sustainability high impact goals in the following areas.</p> <table> <tr> <td>1. Financial and non-financial products</td><td>2. Customer experience</td></tr> <tr> <td>3. Operations</td><td>4. Stakeholder Management</td></tr> <tr> <td>5. Non-performing assets</td><td>6. Human capital management</td></tr> <tr> <td>7. Risk and Opportunities Management</td><td>8. Business model</td></tr> </table>	1. Financial and non-financial products	2. Customer experience	3. Operations	4. Stakeholder Management	5. Non-performing assets	6. Human capital management	7. Risk and Opportunities Management	8. Business model
1. Financial and non-financial products	2. Customer experience								
3. Operations	4. Stakeholder Management								
5. Non-performing assets	6. Human capital management								
7. Risk and Opportunities Management	8. Business model								
3) Technology	Our technology investments must align with the sustainability goals to drive financial inclusion goals in society and economy. (see our intellectual capital section on page 156).								
4) Business Model	We continuously develop, implement, monitor, and continuously improve our business model(s) for sustainability (see our business model on page 26).								
5) Operations	Seek to align our operations accordingly through internal process improvements.								
6) Products	Deliver our client solutions sustainably with the highest ethical standards while promoting the interest of the society at large, actively supporting environmental protection and driving the transformation to a sustainable economy. (See our product suite pages 22 & 23).								
7) Stakeholder relations	We proactively engage with our stakeholders, giving them a voice and understanding and addressing their diverse interests with the purpose of aligning those interests with our high impact goals (see page 70).								
8) Human capital	Our human capital is the ultimate organizational resource. Turning our purpose (Fostering prosperity for Ugandans) into reality and high impact goals (1. Drive sustainable financial inclusion & 2. Stimulate entrepreneurship and services) into results requires first and foremost human capital with right strengths, competencies, attitude, and full commitment to make PostBank a leading financial sector player in Uganda. (see how we are approaching this on page 134 – our human capital section).								

The Global Reporting Initiative is primary reporting framework for sustainability reporting. We shall complement this with the Standards under the International Sustainability Standards Board.

IFRS pillar	Requirement	IFRS S1	IFRS S2
Governance	Sustainability issues are discussed at the Board. The Board has partnered with SSCI from the European Organisation for Sustainable Development.	Sustainability issues owned by the Board and Management team.	
Strategy	Detail the organisation's strategy for managing sustainability-related risks and opportunities.	Incorporate sustainability related risks and opportunities in our strategy.	
Risk management		Board to adopt a Risks and Opportunities Management (ROMs) for Sustainability Framework.	<p>As part of the ROMs framework, we shall identify the following sustainability related risks:</p> <ul style="list-style-type: none"> 🔹 Physical risk: risks emerging from growing environmental challenges that can adversely affect our funded agriculture portfolio or property of manufacturing/ retail businesses. 🔹 Non-physical risk: risks that can damage the operational capacity of both funded businesses and PostBank, for example cyber-attacks. 🔹 Social risks, transition risks and anti-money laundering compliance risks.
KPI's (metrics)	We shall adopt metrics by relevant ISSB standard and metrics by PostBank that further our sustainability agenda.	<p>For each sustainability related risk and opportunity, we shall identify metrics under the following categories:</p> <ul style="list-style-type: none"> 🔹 Impact on corporate performance 🔹 Impact on society 🔹 Impact on economy 🔹 Impact on environment 	

Reporting landscape

Our methodology for sustainability reporting is rooted in our mission and focuses on our stakeholders. We acknowledge the diverse global standards for sustainability, but our report is primarily influenced by the Global Reporting Initiative (GRI) standards. These standards offer a dual materiality perspective that resonates with our mission. We are committed to adhering to both local and international laws and regulations relevant to the disclosure of financial and non-financial information including the recently introduced IFRS standards on sustainability.

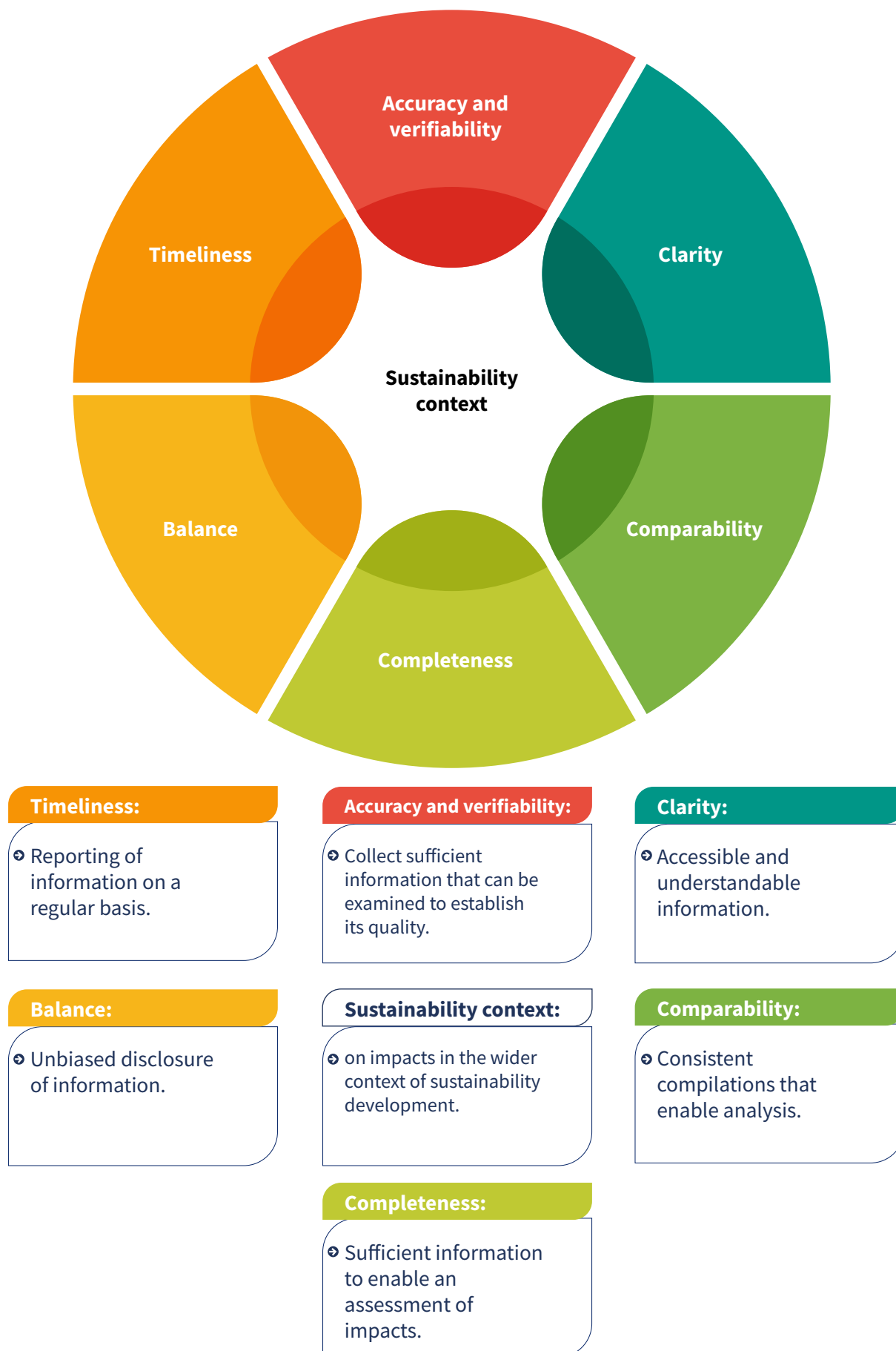
Material sustainability matters

PostBank has taken into account factors that could significantly affect our sustainability, including risks, opportunities, regulations, and industry trends. As a financial institution, we recognize that our activities have both direct and indirect effects on the economy, society, and the environment. We have evaluated our performance using our predefined KPIs, which were formulated in collaboration with our stakeholders, to guarantee a comprehensive materiality assessment.





Reporting Principles


The preparation of our report was guided by the following **principles**.



→ Our Economic, Environmental and Social focus

Economic		Environmental	
Interest paid to customers Ushs 29.4 Bn (2022: Ushs 25.3 Bn) (2021: Ushs 20.3 Bn)	Return on investments for our shareholder 16.8% (2022: 11.2%) (2021: 11%)	36.15 million liters of water used (2022: 23.4 million) (2021: 21.3 million)	50,998 Kgs of paper used (2022: 34,850 Kgs) (2021: 34,235 kgs)
Investments in Government securities Ushs 183.2 Bn (2022: Ushs 156.8 Bn) (2022: Ushs: 30.7 Bn)	Taxes paid to GOU Ushs 6.6 Bn (2022: Ushs 4.8 Bn) (2021: Ushs 6.3 Bn)	1,916,797 Kw of electricity used (2022: 1,540,512 kw) (2021: 999,238 kw)	447,161 liters of vehicle and generator fuel used (2022: 289,670 litres) (2021: 270,662 litres)
Loans granted Ushs 602.5 Bn (2022: Ushs 500.7 Bn) (2021: Ushs 473 Bn)			



Social	
Paid to employees Ushs 60.4 bn (2022: Ushs 49.7 Bn) (2021: Ushs 45.8 Bn)	Investment in learning and development Ushs 1,359 bn (2022: Ushs 862 Mn) (2021: Ushs 626 Mn)
Procurement spend Ushs 36.1 bn (2022: Ushs 42 bn) (2021: Ushs 56 bn)	Branches and points of representation 60* (2022: 58) (2021: 55) *Includes Ntinda branch that is pending regulatory approval.
Mobile vans 14	ATMs and Recyclers 60 ATMs 51 Recyclers
Retention ratio 86% (2022: 83%) (2021: 75%)	Agents 1,545 (2022: 525)
Number of employees 1,153 (2022: 1,099) (2021: 1,045)	

Impact on our Economy, Society, and the Environment

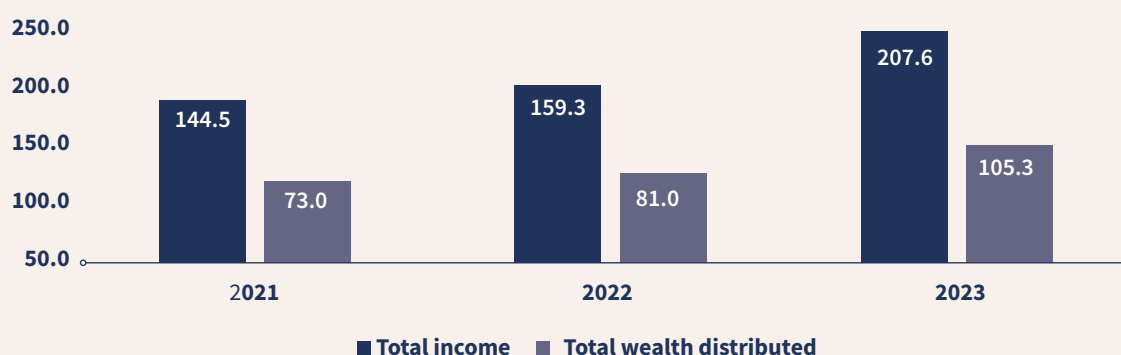
We are pleased to report on the impacts we have had on each of the following critical facets of our sustainability: economy, society, and environment in 2023.

1. Direct economic value generated

GRI 201-1

PostBank is firmly committed to optimizing the benefits and value created for our diverse stakeholders. The economic value we generate is derived from our revenue, less expenses, depreciation, and amortization. This wealth created is then distributed to stakeholders, including employees, the government, and our communities.

Total income created and wealth distributed (Ushs bn)



Value added statement

Value added statement	2021		2022		2023	
	Ushs (bn)		Ushs (bn)	%	Ushs (bn)	%
Wealth created						
Interest income	117.3	81%	125.9	80%	167.2	81%
Fee and commission income	24.5	17%	29.5	18%	31.6	15%
Net trading and other income	2.7	2%	3.9	2%	8.8	4%
Total income	144.5	100%	159.3	100%	207.6	100%

Less expenses

Interest expense	20.3	30%	25.3	34%	29.3	34%
Other operating expenses	51.2	70%	53.0	65%	73.0	65%
Total wealth created	73.0	100%	81.0	100%	105.3	100%

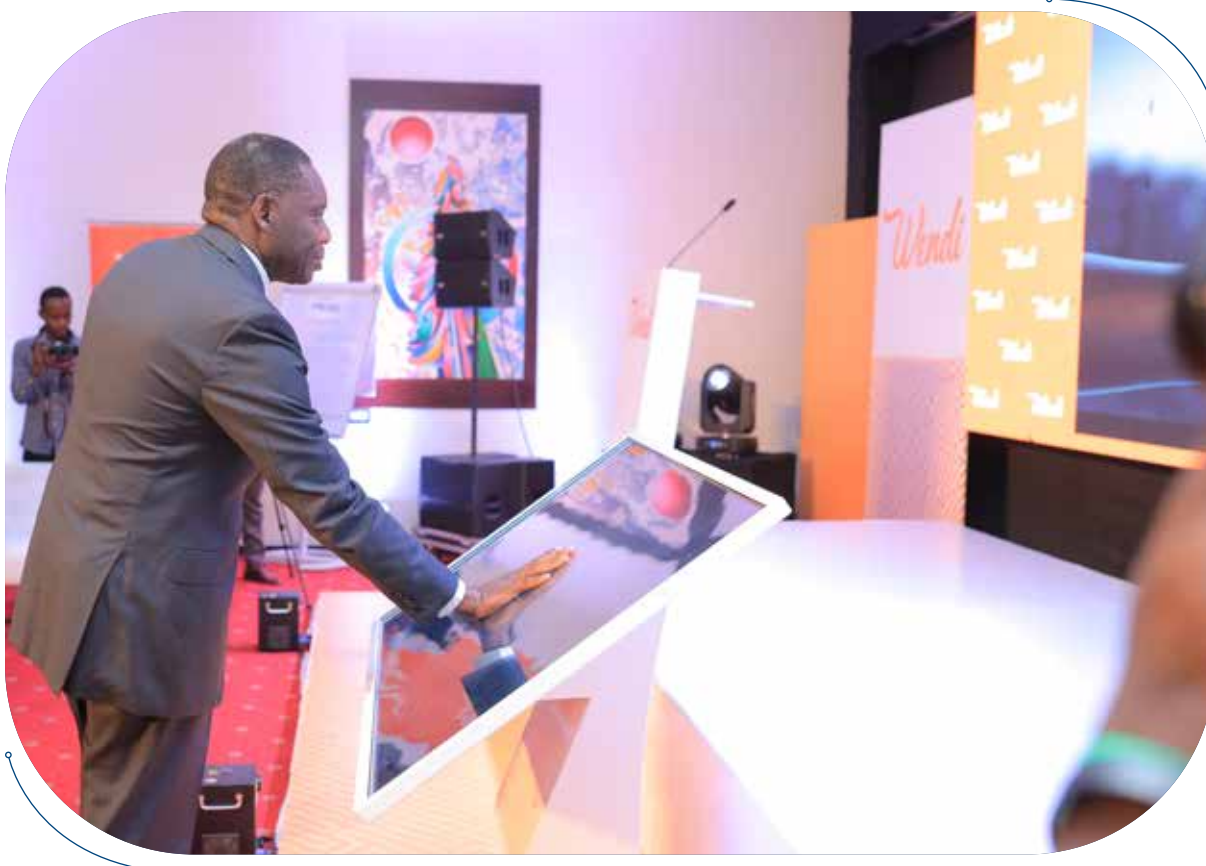
Wealth distributed	Ushs (bn)		Ushs (bn)		Ushs (bn)	
Employment related costs	45.9	63%	49.8	61%	60.4	57%
Government	6.3	9%	4.8	6%	6.6	6%
Retention for future growth	20.8	29%	26.4	33%	38.3	36%
Total wealth distributed	73.0	100%	81.0	100%	105.3	100%

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

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

→ 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.

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



We continued to play a major role in driving the growth of the Ugandan economy through sustainable profit. To maximise our impact, we broadly segment the Ugandan Banking customers as illustrated in the table below. Our economic impact on society and contribution to the Ugandan economy is primarily focused on medium and small enterprises, micro customers, and the mass market segment. These segments are the reason we exist.

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 > Ushs 5 bn	Annual business turn over < Ushs 5 bn	Exposure < Ushs 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
Objective	Wealth maximization	Funding and growth	Funding and growth	Low	Personal financial needs
Background	Business community/ Professionals	Rated, large to medium corporates	Medium business	Funding and advice	Salaried employees
Number of Banking relationships	Many	Many	Many	Self-employed	A few
Level of competition from banks	High	High	Moderate	A few	Moderate

Ugandan Banking Customers

PostBank's targeted customers

We are deliberate about providing affordable financing for our targeted customers as illustrated below. All key segments were provided even more access to opportunities to grow the Ugandan economy.

Key Segment	2023 (Ushs Bn)	2022 (Ushs Bn)	+Affordable financing released to facilitate inclusive growth	
MSME – loans balance at 31 December	105	90	15	17%
Micro customer loans at 31 December	61	49	12	26%
Mass market loans at 31 December	351	247	104	42%

Loans disbursed to priority groups within key segments	2023 (Ushs Bn)	2022 (Ushs Bn)	+Affordable financing released to facilitate inclusive growth	
Accelerating development through youth loans	103	84	19	22%
Fostering equal opportunities for women	123	113	10	9%

Our economic impact is our social license to operate – We deliberately pass on safer investments in Government paper to offer affordable and accessible financial services to the mass market in Uganda.



➔ **Gross loans and advances**

2023: Ushs 602.5 Bn
2022: Ushs500.7 Bn
2021: Ushs473 Bn

We play a pivotal role in accelerating the economic growth of Ugandans by providing credit facilities to those who otherwise face challenges in securing it. In our pursuit, we successfully catered to the financial requirements of 53,454 borrowers in the current year, an increase from 51,894 borrowers in 2022. Among these, 49,507 were mass market customers, up from 47,795 in the previous year. This underscores our commitment to financial inclusion.

➔ **Businesses, institutions, and micro businesses**

2023: Ushs 171.8 Bn
2022: Ushs127.5 Bn
2021: Ushs 132.8 Bn

Our lending to the business community has facilitated the sustainable creation of job opportunities, thereby fostering employment. Consequently, this has amplified the contributions towards the Government of Uganda's efforts in revenue mobilization through taxation. This showcases the ripple effect of our deliberate financial inclusion initiatives on the broader economy.

➔ **Commercial agricultural businesses and smallholder farmers**

2023: Ushs 164 Bn
2022: Ushs 106.2 Bn
2021: Ushs109.1 Bn

We firmly believe that food security is a cornerstone of economic growth. In pursuit of this, we have formed partnerships with both large-scale agricultural businesses, lending them Ushs 106 Bn, a significant increase from Ushs 65.1 Bn in 2022. Additionally, we have extended our support to smallholder farmers, providing them with Ushs 55.1 Bn, up from Ushs 41 Bn in the previous year. Our goal is to foster environmental sustainability by equipping these entities with the essential working capital and tools needed for productive agricultural activities.

➔ **Personal lending products**

2023: Ushs 289.2 Bn
2022: Ushs 253.8 Bn
2021: Ushs 214.8 Bn

By offering personal lending products amounting to Ushs 289.2 Bn, an increase from Ushs 253.8 Bn in 2022, we empower our customers to acquire or build homes. Additionally, we provide the necessary capital to augment alternative income avenues, be it through skill enhancement or the initiation of supplementary business ventures.

Financial inclusion and economic growth
delivered sustainably
(Refer to page 204 on our
impact on society).

→ Tackling financial inclusion

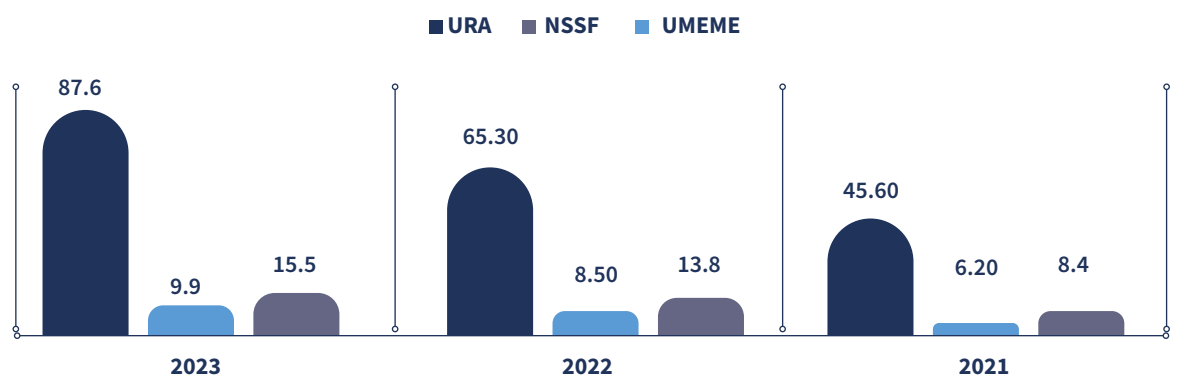
Sustainable solutions to financial disparities lie in fostering financial inclusion. We are committed to narrowing the financial inclusion divide by offering responsive, timely, and cost-effective financial services to our current and prospective clients. The methods through which we have achieved this are illustrated below.

Solution	Impact
Wendi – I am here	<ul style="list-style-type: none"> Wendi is a mobile money service that promotes financial inclusion by providing a secure and convenient platform for Ugandans to save and manage their finances. It emphasizes group savings, funds management, and digital transactions, targeting unbanked communities. Wendi is accessible to all, regardless of location, without the need for a bank account or smartphone. It plays a crucial role in advancing digital transformation and financial inclusion, making financial services more accessible and affordable. See page 160.
Digital financial products mobile Banking and USSD	<ul style="list-style-type: none"> We have enabled 43,237 users (up from 34,277 in 2022) to utilize our services from the comfort of their locations. Our digital financial offerings appeal to a younger, technologically adept clientele who favour remote Banking solutions.
Agent Banking	<ul style="list-style-type: none"> With an extensive network of over 1,545 agents including 1,127 Wendi agents (a significant increase from 525 in 2022), we offer our customers multiple avenues to access our services. This expansion has facilitated a substantial reduction in transportation costs associated with accessing Banking services, making our products not just accessible, but also economically viable.
Mobile vans	<ul style="list-style-type: none"> We have a fleet of 14 mobile vans, capable of reaching any part of the country within a day's notice. This strategic investment has empowered us to assist the Government and other developmental partners in efficiently, effectively, and economically reaching out and making payments to individuals of interest.
Bank assurance	<ul style="list-style-type: none"> We have successfully issued a total of 18,414 life and non-life policies, marking an increase from 15,722 in 2022. Our efforts have enabled individuals with lower income and those traditionally excluded from financial services to access products that safeguard their lives, health, and assets.



Revenue mobilization

Collections on behalf of the Government, National Social Security Fund and UMEME (Ushs bn)



On behalf of the Uganda Revenue Authority, we have collected Ushs 87.6 Bn, showing an increase from Ushs 65.3 Bn in 2022. We have also collected Ushs 9.9 Bn for the National Social Security Fund, up from Ushs 8.5 Bn in 2022, and Ushs 15.5 Bn for Umeme, up from Ushs 13.8 Bn in 2022. Furthermore, we have contributed close to Ushs 7 Bn in direct taxes in the current year. Our efforts in collecting and paying taxes and statutory dues equip the Government with the essential resources to finance social services. We take pride in our significant role in the country's development.



→ Social and environmental impact

Our commitment to actively contributing to the realization of the NDP III plan and addressing as many of the UN SDGs as feasibly possible remains a top priority. We have taken intentional measures to embody the role of a responsible corporate citizen, reciprocating to the communities we serve through our diverse initiatives, all while being mindful of our environmental footprint.

- We facilitate financial inclusion through grant partnerships.
- Ensure our procurements are executed effectively and transparently.
- We continue to strengthen our regulatory compliance.
- We contribute to building thriving communities.
- We continuously build a satisfied and loyal customer base.
- We protect our customer data with cyber security.
- We demonstrate the basis of our social license to operate every day.

Our detailed impacts on the society as well as the environment are detailed in the value we embedded section of this report starting from page 204.

Sustainability facts and figures

	2023	2022	2021
Economic			
Profit after tax (Ushs). See page 246.	27.5 Bn	15.2 Bn	12.2 Bn
Direct tax paid to government. See page 249.	6.6 Bn	4.8 Bn	6.3 Bn
Return on equity (%)	16.8%	11%	10%
Number of Branches	60	58	55
Number of ATM's	60	58	57
Mobile vans	14	14	14
Agents (agency Banking)	418	525	400
Wendi agents	1,127	-	-
Customers serviced	773,519	772,651	710,104
Procurement spend (Ushs)	36.1 Bn	41.9 Bn	56 Bn
BUBU procurements (Ushs)	34.3 Bn	40.2 Bn	54.3 Bn
Social, Environmental, Human rights and other societal changes			
Number of CSR activities during the year	1	1	2
Number of employees	1,153	1,099	1,045
Training spend (Ushs)	1.4 Bn	990 Mn	626 Mn

→ Our ESG Strategy

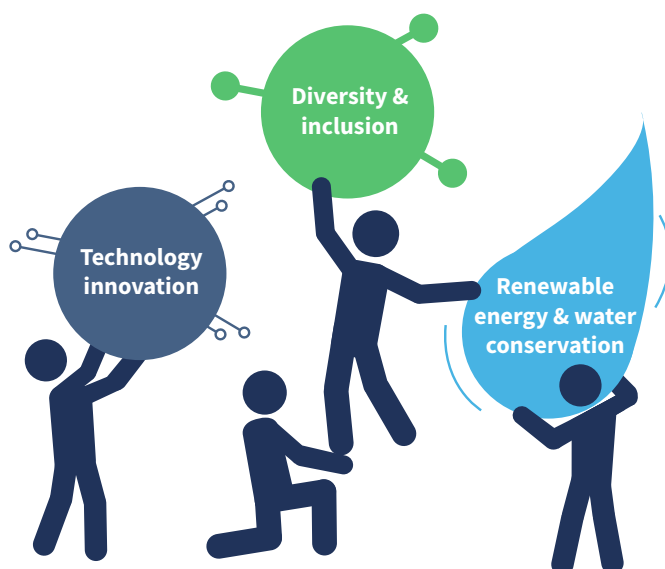
Our objective is to offer cost-effective financial products and services to individuals and businesses alike. We strategically target Micro, Small, and Medium-sized Enterprises (MSMEs) and the general public as our primary sectors. Leveraging our extensive distribution network and cutting-edge ICT infrastructure, we are committed to empowering and supporting these sectors.

We take immense pride in the positive influence we've exerted across the Environmental, Social, and Governance (ESG) spectrum. To amplify this impact on a broader scale, we've restructured our ESG strategy to identify the most efficient delivery methods.

PostBank will concentrate on Financial Inclusion, Diversity and Inclusion, and Climate Change as the key areas for investment to fulfill our ESG commitments.

Drive sustainable financial inclusion through technology innovation:	Diversity and inclusion:	Finance & promote use of renewable energy and water conservation:
<p>➤ We are committed to fostering the development of Uganda by delivering sustainable financial services. Our long-term ambition is to become the preferred Banking institution for underbanked Ugandans. We aim to encourage savings and enhance access to financial services for MSMEs, thereby making wealth creation reachable for those seeking it.</p> <div>    </div>	<p>➤ Our goal is to foster inclusion by enabling our employees to be their true selves. This involves championing diversity and inclusivity among our suppliers, clients, and the communities we serve. We are committed to ensuring fair representation of marginalized groups, including those based on gender, age, disabilities, and more, across all tiers of our organization.</p> <div>  </div>	<p>➤ Our partnerships with Water. Org and water for people (see page 70). We have invested in solar and water and sanitation products to drive our climate change agenda.</p> <div>   </div>

We are dedicated to focusing on the Sustainable Development Goals (SDGs) where our influence is most significant. Our commitment is rooted in the use and amplification of the six capitals, which serve as the foundation of our operations and impact



ESG Risk assessment

At PostBank, we have a dedicated approach to managing Environmental, Social, and Governance (ESG) risks. These risks are meticulously handled by our risk management and credit departments. We maintain constant vigilance over the Bank's operations to ensure that potential environmental and social risks, as well as impacts, are managed effectively and kept within acceptable limits. Transactions that are materially significant and have a social sensitivity are thoroughly deliberated upon by our board. These transactions are only approved after ensuring that appropriate safeguards are in place. The key procedures are as follows:

Screen

In the context of ESG, screening and reviewing transactions is a crucial step. This involves assessing each transaction to determine its environmental, social, and governance impacts. We scrutinize the nature of the transaction, the parties involved, and the potential risks or benefits associated with it. This process helps in identifying transactions that align with our ESG goals and those that may pose a risk to these objectives.

Bucket

We categorize transactions based on their ESG risk levels. This could range from low-risk transactions, which have minimal ESG impacts, to high-risk transactions, which could significantly affect our ESG performance. By categorizing these risks, we can better manage them, allocating resources effectively to mitigate high-risk transactions and promoting those that advance its ESG goals.

Due diligence

Due diligence involves a thorough investigation into the ESG aspects of a transaction. This includes understanding the environmental footprint, social implications, and governance structures associated with the transaction. This includes examining factors such as compliance with environmental regulations, labour practices, community impacts, and corporate governance among others.

Safeguards

Developing safeguards is the final step in managing ESG risks. Once transactions have been screened, bucketed, and due diligence has been conducted, measures are developed to protect us from potential ESG risks. These safeguards could include policies to guide transaction approval, risk mitigation strategies, and contingency plans. The aim is to ensure that PostBank can navigate potential ESG risks without compromising its objectives or reputation.

Our E & S portfolio

We firmly believe that our role extends beyond merely generating returns for our shareholders. It should also contribute positively to society and the environment. We prioritize opportunities that not only align with our financial inclusion objectives but also maximize value creation for all our stakeholders. During the year we have invested in:

- Loans disbursed under the Aceli Africa partnership Ushs 17.7 Bn.(2022: Ushs 5.4 Bn).
- Solar loans – Ushs 22 Mn (2022: Ushs 91.1 Mn).
- Water & sanitation loans in partnership with Water.Org and Water for people – Ushs 1.1 Bn (2022: Ushs 2 Bn).

Green investments play a pivotal role in enhancing the health of our environment and mitigating the detrimental effects of existing practices. Our commitment is to increasingly channel our resources towards the promotion of clean energy and water conservation, thereby shaping a sustainable future.

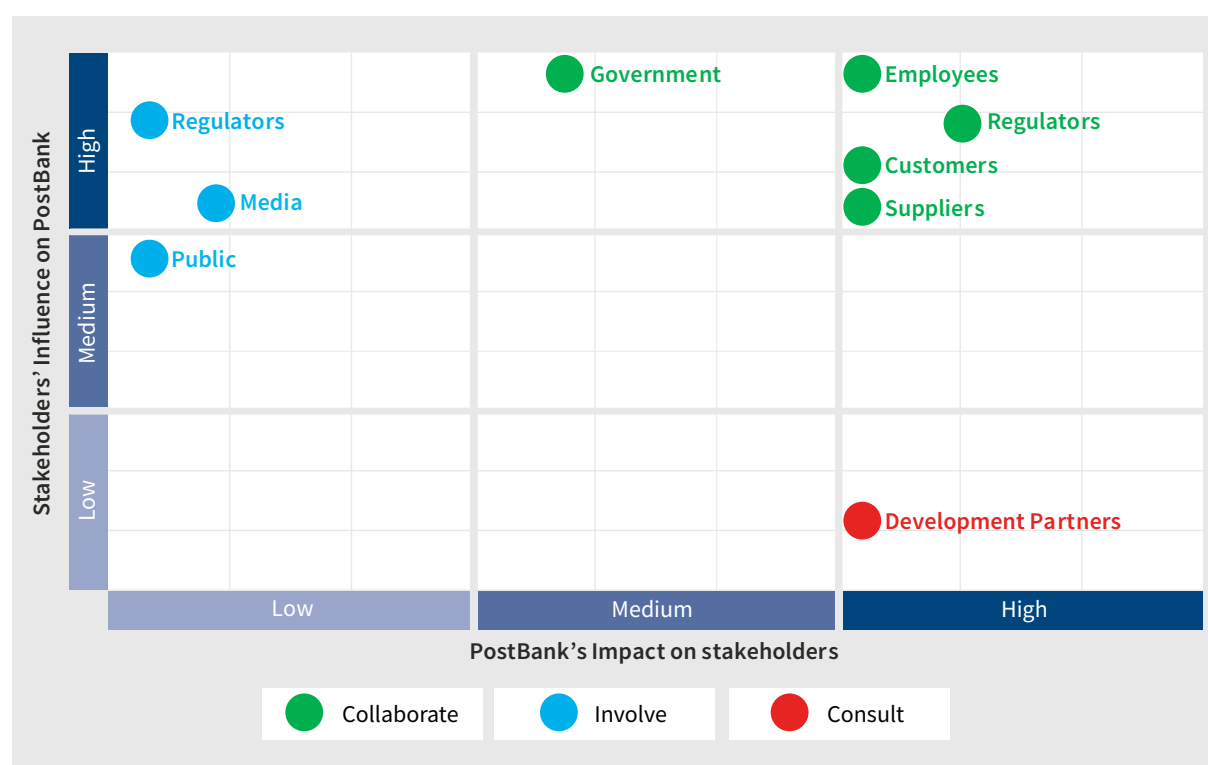
Integrated Stakeholder Engagement

Analysis of PostBank Uganda's stakeholders

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

Stakeholder mapping landscape

GRI 102 - 42








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	
➤ Relationship established but much work to be done to improve the quality of the relationship	
➤ Relationship established, value-generating connection, but with room for improvement	
➤ Good-quality, mutually beneficial relationship with some room for improvement	
➤ Strong relationship of mutual benefit	





Employees.

Our staff

Objective: To be the employer of choice.

In a competitive resource environment, we are focused on retaining employees, ensuring ongoing professional development, and reskilling to sustain our human capital, which, in turn, is critical to our operational efficiency and social and relationship capital. Employee remuneration and training, however, come at the cost of financial capital.

Why we engage		
<ul style="list-style-type: none"> Employees are fundamental to growing our brand and delivering high-quality service. 	<ul style="list-style-type: none"> Employee engagement is vital to maintain connection, motivation, and an engaged workforce. 	<ul style="list-style-type: none"> Drive business objectives to ensure the delivery of strategy.
How we engage		
<ul style="list-style-type: none"> Extensive internal communications using multiple platforms tailored to employees. 	<ul style="list-style-type: none"> Employee surveys. Rewards & recognition. 	<ul style="list-style-type: none"> Performance reviews and exit interviews. One on one interactions between employees and line managers.
Key matters raised		
<ul style="list-style-type: none"> Fair and market-related remuneration. 	<ul style="list-style-type: none"> Career development and growth opportunities. 	<ul style="list-style-type: none"> Learning and development, including access to mentorship and coaching programmes.
Our strategic responses		
<ul style="list-style-type: none"> We prioritized employee well-being through a series of wellness activities. 	<ul style="list-style-type: none"> Fostered an inclusive environment where each member feels valued, supported, and heard. 	<ul style="list-style-type: none"> Rolled out essential training programs tailored for both staff and leadership. During the year, we invested Ushs 1.1359 Bn on training our 1,153 employees.
<ul style="list-style-type: none"> We revised our policy framework to align with the bank's strategic vision while embodying best practices. This underscores our unwavering dedication to ensuring the highest standards of operational excellence and employee well-being within PostBank. 	<ul style="list-style-type: none"> We have leveraged on data analytics to gain insights into various aspects of our human capital management including talent deployment, performance management to ensure that decisions are grounded in decision data driven intelligence. 	<ul style="list-style-type: none"> We strengthened our business partnering model to cultivate a workplace environment characterized by person connections, support, and individual growth.
Quality of relationship indicator		



Customers.

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.
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Key matters raised

➤ Turnaround time on loan applications and complaints management.	➤ Branch service.	➤ Channels – Mobile Banking, ATM, and Agency Banking availability.
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Our strategic responses

➤ Leveraged on technology to deliver Agency Banking at the community level to drive access to financial services. Number of Agents: 1,545 agents (2022: 525 agents).	➤ Delivering financial services on mobile phones through Wendi (1,127 agents across the country) and our Mobile Banking application (Mobile Banking and USSD users 43,237 (2022: 34,277).	➤ During the year we officially launched the Bank's new E-Wallet 'Wendi' and registered the following outcomes: ➤ 546,565 customers enrolled. ➤ Ushs 4.1 Bn average deposits. ➤ Ushs 189 Bn disbursed for PDM.
➤ We segmented our clients in 2023 into Business and Institutional Banking, Retail Banking and Digital financial service to provide responsive client-centric solutions.	➤ We are providing flexible Banking solutions and capacity building and innovation for our MSME clients.	➤ We intentionally support local contractors and business in successfully delivering Government Contracts.

Quality of relationship indicator





Government/
Shareholder.

Government of Uganda

Objective- To deliver sustainable returns while amplifying Governments social impact initiatives.

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 one.

How we engage

• Annual General Meeting.	• Participation in different government programs.	• Continuous ad hoc meetings.
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Key matters raised

• Limited access to credit for the Ugandan population.	• High cost of credit.	• Agriculture financing.
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Our strategic 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.
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Quality of relationship indicator



Suppliers.

Suppliers

Objective- To treat all suppliers fairly.

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

Why we engage

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.
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Key matters raised

• Supplier opportunities available.	• Compliance with PPDA & tax requirements.
• Turn Around Time of payments.	

Our strategic responses

• We remain committed to expanding our supplier database with a clear bias for Ugandan businesses.
--

Quality of relationship indicator





Regulators.

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 strategic responses	
➤ Continued process improvements in all our interactions with Bank of Uganda and PPDA. 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.

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 strategic responses		
➤ We are committed to a seamless accountability and delivery of mutually agreed projects. Refer to page 209 for details.		
➤ We have partnered with the European Organization for Sustainability Development for certification under the Sustainability Standards and Certification Initiative (SSCI).		
Quality of relationship indicator		



Society.

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 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.
☛ Employment of local talent.	☛ Business development in local communities. ☛ Social benefits to the development of communities where our branches are located.	
☛ Skilled work force development.		

Our strategic responses

- ☛ Our CSR Policy will create a significant impact for communities.

Quality of relationship indicator





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DASHBOARD
PEOPLE
TIME
RISK
DIRECTION
PROCESS
INTEGRITY
ATION
DIRECTION
UNBANKED
GROWTH
POLICY
GOAL
POTENTIAL
GOVERNANCE
SUSTAINANCE



Reflections from our Board Chairman

Andrew Otengo Owiny
Board Chairman



Dear Shareholders,

It brings me great pleasure to present PostBank's 2023 Integrated Report. This year has been significant for us as we continue to foster all encompassing growth, amidst a challenging economic environment.

Economic Environment

2023, was characterised by a complex interplay of geopolitical events that directly impacted our operating context and economic environment. As a result, we witnessed rising costs of doing business for the Bank and its Clientele/Customers linked to fuel price volatility, while the UGX (Uganda Shilling) depreciated although at a lower rate compared to what we saw in 2022. Despite these strenuous circumstances, the Ugandan economy showed resilience and posted a 3.5% GDP growth largely due to efforts of the fine men and women who work in the services sector who contributed 42% of our GDP with the support of the Industrial (27%) and Agricultural (24%) sectors.

I remain optimistic that the projected growth in the 6% range as well as the prompt reactions from our Central Bank who lowered the Central Bank rate to 9.5% in the last quarter will spur sustained economic growth in the near future for the prosperity of Ugandans.

**GREW CUSTOMER
DEPOSITS BY**

**Ushs
101 billion**



**GREW
INCOME BY 30%**

OR

Sustainable Profit for Growth

PostBank continues to deliver on its commitment to drive financial inclusion in a sustainable and profitable manner. During the year, we introduced Wendi – our primary technology-based mass customer acquisition solution that will bring digital financial services closer to our Citizens and cultivate financial inclusion. Our commitment to operational efficiency and customer centricity are bearing fruit as demonstrated by our 82% growth in profit after tax which closed at Ugx 27.5 Billion. I am particularly proud of the fact that we are now a trillion-shilling Bank with total assets peaking at approximately Ugx 1.1 trillion. Our deposits closed at Ugx 790 billion and made it possible to grow our loans by 7.6% and extend the much-needed helping hand for those willing to change their lives.

Shareholder

As a Government owned bank, our mandate goes beyond profitability. We have taken it upon ourselves to focus on expanding financial inclusion while delivering above average returns for our shareholder. I am sure that our 16.8% return on equity contributes to not only the development of Uganda but provides a positive example on the benefits of good governance.

I believe that these strong results put us in position to meet the upcoming minimum capital requirements and continue to maintain our license to operate.

Strategy Reset

Having taken stock of our progress towards achieving our 2020-2025 strategy, my colleagues and I realised that the Bank had made rapid progress towards all key strategic pillars. Accordingly, the Board called for a reset of our strategic direction and launched the 2024- 2028 five-year strategy. We are focussing on leveraging our digital financial services to deliver on our overarching purpose to foster prosperity for Ugandans. We will also continue to strive to become the pace setter in economically transforming lives.

Mindset Transformation

At the Bank, we have begun to promote a mindset where small incremental changes create sustained impact over time. This ‘change for the better’ approach is part of my personal ethos. In this regard, we have invested in equipping our customer facing staff with learning opportunities that enhance customer experience, introduced products and services such as the new Instant Account opening and biometric Banking and enhanced our internal capabilities through our new innovation framework. We continue to keep abreast of the developments in IT security space for the benefit of the continued security of our customers.

Looking Ahead

We will begin to implement our new 5-year strategy with a view of delivering on its bold and impactful aspirations, hopefully ahead of schedule. Our quest to be among the best Tier One banks in the country remains at heart and we will continue to tailor our approach to the needs of our customers.

PostBank remains steadfast in its commitment to support and implement government initiatives designed to uplift the lives of Ugandans. Our strategic focus continues to be centered on Micro, Small, and Medium Enterprises (MSMEs) within the agricultural value chain, while concurrently acknowledging and addressing the needs of other crucial sectors within our economy.

I wish to extend my heartfelt gratitude to all our stakeholders for their unwavering support and contribution. This includes the Government of Uganda – our esteemed Shareholder, represented by the Ministry of Finance, Planning and Economic Development, the Bank of Uganda – our diligent Regulator, our loyal Customers, our dedicated Staff, and our valued Partners.

Your collective efforts have been instrumental in enabling us to fulfil our mission of empowering lives and transforming livelihoods in a holistic manner.

Andrew Otengo Owiny,
Board Chairman

**Ushs
48 billion**



**GREW PROFIT
AFTER TAX BY 82%**

**Ushs
27.5 billion**





Our Material Matters, Risks and Opportunities

GRI 103 - 1,2&3

As we execute our strategy, we employ integrated thinking to focus on the issues that could impact our capacity to generate value in the short, medium, and long term. These issues guide our strategic approach to managing risks and capitalizing on the opportunities that arise.



Strengths

- Government ownership.
- Wide customer base.
- Skill in financing Micro and Small business.
- Significant presence in the Agri business space.
- Wide geographical coverage and distribution network.



Weaknesses

- A high cost to income ratio.
- Limited number and size of actively transacting customers.
- Manual and obscure processes.
- Regulations related to mainstream civil service that deter competitiveness.



Opportunities

- Wendi commercialization and the large unbanked/underserved section of the population.
- Positioning as the Banker to Government.
- An un-optimized distribution network and technology infrastructure.
- Low public sector credit to GDP.

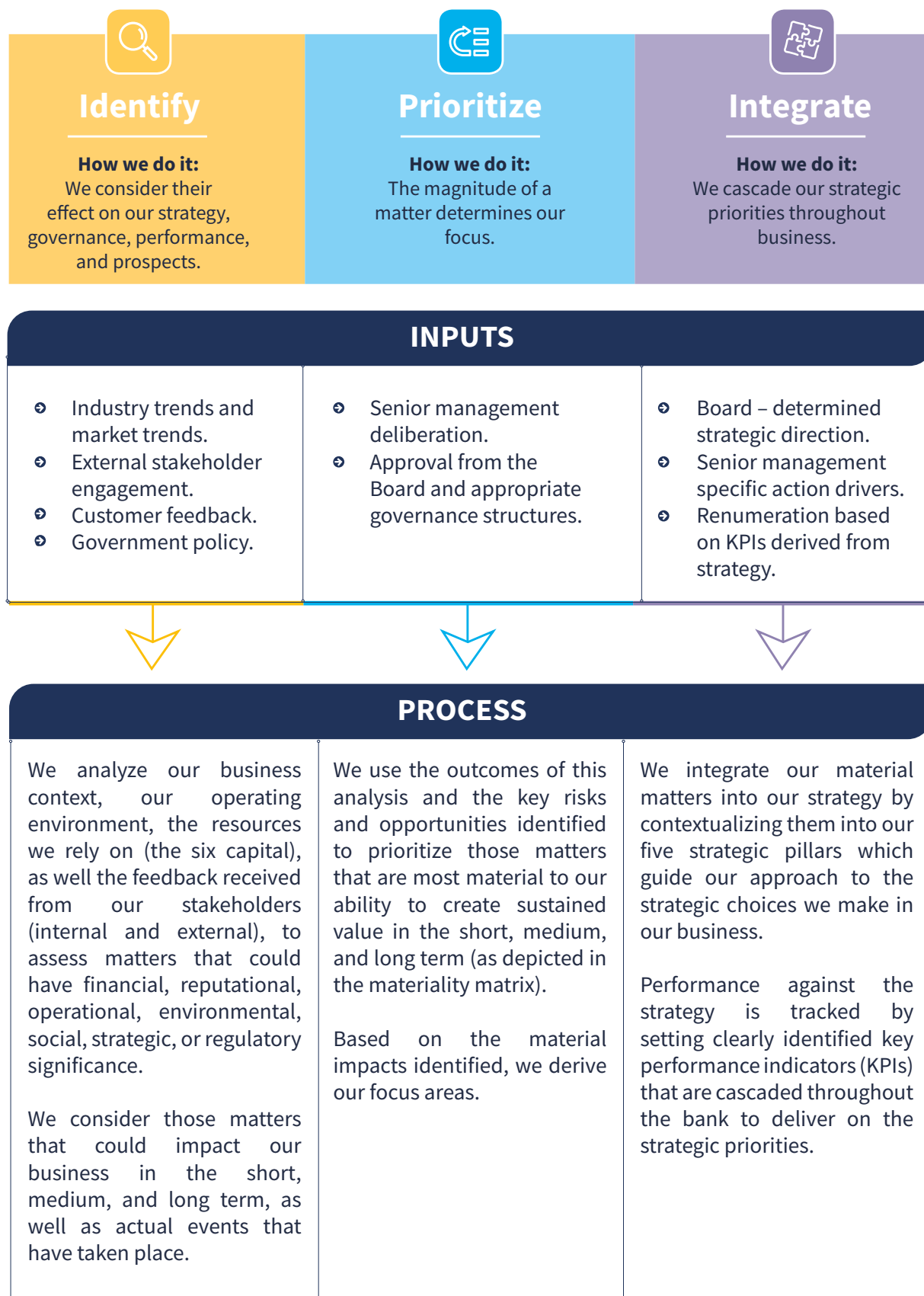


Threats

- Cyber risk.
- Competition emerging from the Tech driven entities -Telcos, Fintechs, Insurtechs and AgriTechs.
- Government preference to bank with private financial institutions.
- New regulations and cost of compliance.

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

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



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 the potential to transform our business) that stood out as broader themes under which our material matters could be classified.



Prioritization of our material matters

0- High, 10 - Very High








For more information on our materiality themes, please see our operating context (page 92), and for more information on our material matters please see pages (85 to 87).







→ Risks and Opportunities

These matters influence how the Board and senior management steer the bank

The section below describes the specific risks and opportunities within the material topics where the board and committees focus their efforts. It includes a blend of existing and emerging risks that could impact on our ability to create value for our stakeholders or deliver our strategy over the short, medium, and long term.

Stakeholder	Material Matters	What are the risks?	Where do we see the opportunities?	What are we doing about it?
 Employees.	Talent management & investments in human capital	The war for talent – acquisition, identification & retention of essential skills for our business is an industry wide phenomenon that can hinder our strategy execution.	A fast growing and agile local bank easily attracts both talented & experienced individuals.	We have clarified our employee value proposition and deliberately launched our talent management program. See Human Capital section on page 136 to 151.
 Employees.	Skills & employee productivity	Our history did not focus on the performance & productivity of our staff which adversely affected productivity and subsequently client expectations, risk management and profitability.	Continue to “walk the talk” on performance as we continuously create people alignment with our overall strategy execution.	Implemented a robust performance management framework linked to rewards and growth. See Human Capital section on page 143.
 Employees.	Weak Organizational Culture	Long held values, methods of work and attitudes could derail the bank’s transition journey. PostBank is its people and their values collectively make or break our transition and performance journey and how we meet stakeholder needs.	Our transition and restructuring journey signaled a new dawn to the bank’s vision, purpose & strategic direction. It was embraced by most staff as well as external stakeholders.	Commenced on our cultural transformation journey. See Human Capital section on page 137.
 Customers.	Innovation & Agility	Our unique customer base requires an innovative, agile distribution and client touch point approach to financial inclusion that meets the needs of a diverse stakeholder landscape.	The unbanked and financially excluded Ugandan population is our growth target market.	We have re-arranged our business into core Banking business and Digital Financial Services. See our business model on page 26.

Stakeholder	Material Matters	What are the risks?	Where do we see the opportunities?	What are we doing about it?
 Customers.	Disruptive technology from fintech's	Technology and mobility are increasingly shaping consumer behavior. Traditional banks risk losing relevance to platform companies and fintech's.	A successful digital transformation will allow us to respond and innovate quickly to deliver simple, fast, and contextual Banking to our customers. This will help us protect our position in core markets as well as extend our reach into emerging markets.	See page 160 that details our strategic response as well as our investments in related enabling technologies under note 25 on page 306 of the financial statements.
 Customers.	Cyber security and data security	The prevalent threat of cyber-attacks on financial institutions remains one of our top concerns.	A cyber security strategy that is defined and executed well gives confidence to customers and can differentiate us.	Read more about cyber security on page 218 .
 Customers.	Unoptimized technology infrastructure	While Uganda's has taken significant steps in financial inclusion, certain marginalized segments remain underserved in financial services. Developing niche products for such segments may come at relatively high operating and credit costs for banks and erode shareholder value.	With technological advancements and targeted partnerships, we see opportunities to reduce operating costs and develop a more inclusive financial system. This aligns with our digital agenda.	Read more about our Wendi offering on pages 160 to 163.
 Customers.	Customer service and retention	Poor customer service and capacity constraints lead to strained customer relationships and loss of business.	Offering a unique customer value proposition consisting of innovative and effective customer solutions and superior service quality with strong commitment to business ethics, increase customer satisfaction and trust in the bank.	See our social and relationship capital pages 204 to 220.
 Society.	Responding to changing customer demographics and preferences	Slow response to Uganda's changing demographics and associated preferences could alienate our clientele.	This is a key target segment for the bank.	We are well positioned to respond to these changes.

Stakeholder	Material Matters	What are the risks?	Where do we see the opportunities?	What are we doing about it?
 Society.	The growing unbanked population	The need for financial inclusion is a national priority. Serving this niche is a costly endeavor.	The bank is well positioned to partner with various players to meet this challenge.	See pages 160 to 169 on how we are partnering with like minded institutions to foster financial inclusion for Ugandans.
 Society.	Effective stakeholder engagement	We are a bank that is wholly government owned with the attendant priorities. However, we also play in a private sector led industry. This duplicity of conflicting priorities must be managed effectively.	We view this as a key differentiator in our value proposition to customers & other stakeholders.	See page 76 on our strategic response.
 Regulators.	Capitalization from shareholders	New BASEL II regulations that significantly increase capital requirements and the bank's expectation for increased capital injection from the bank's shareholders.	Ability of the bank to take on more risk and fund more customers.	Shareholders increased the bank's authorized share capital and implemented an aggressive capital plan to meet these requirements.
 Regulators.	Heightened regulatory compliance requirements	We must adopt to the unprecedented rate of regulatory changes and ensure the associated risks are well understood and embedded in the bank's business model.	Sound governance and compliance are central to our business reputation and license to operate.	Robust governance process and strong management of regulatory compliance across the bank.
 Government/ Shareholder.	Economic disruption	Any major disruption could reduce the demand for our services and lower spending power of our customers, affecting our profitability.	Ugandan mega trends- from growing affluence, increasing urbanization, surging consumption to huge infrastructure investments – provide massive opportunities to banks to provide financing in our growth markets.	Our multiple business lines, focused business segment approach coupled with nimble execution will enable us to mitigate risks and capture opportunities across the region.
 Government/ Shareholder.	Macroeconomic and fiscal uncertainty	Restrictive external and domestic financial conditions partially driven by reduced development financing as well as underperforming tax revenue increase the cost of doing business and the potential for customer defaults.	The Ugandan economy has remained resilient with projected growth supported by recovery in agriculture, construction, and services sectors.	We have uniquely positioned value propositions to take advantage of growth in these sectors.



Integrated Risk Management Approach



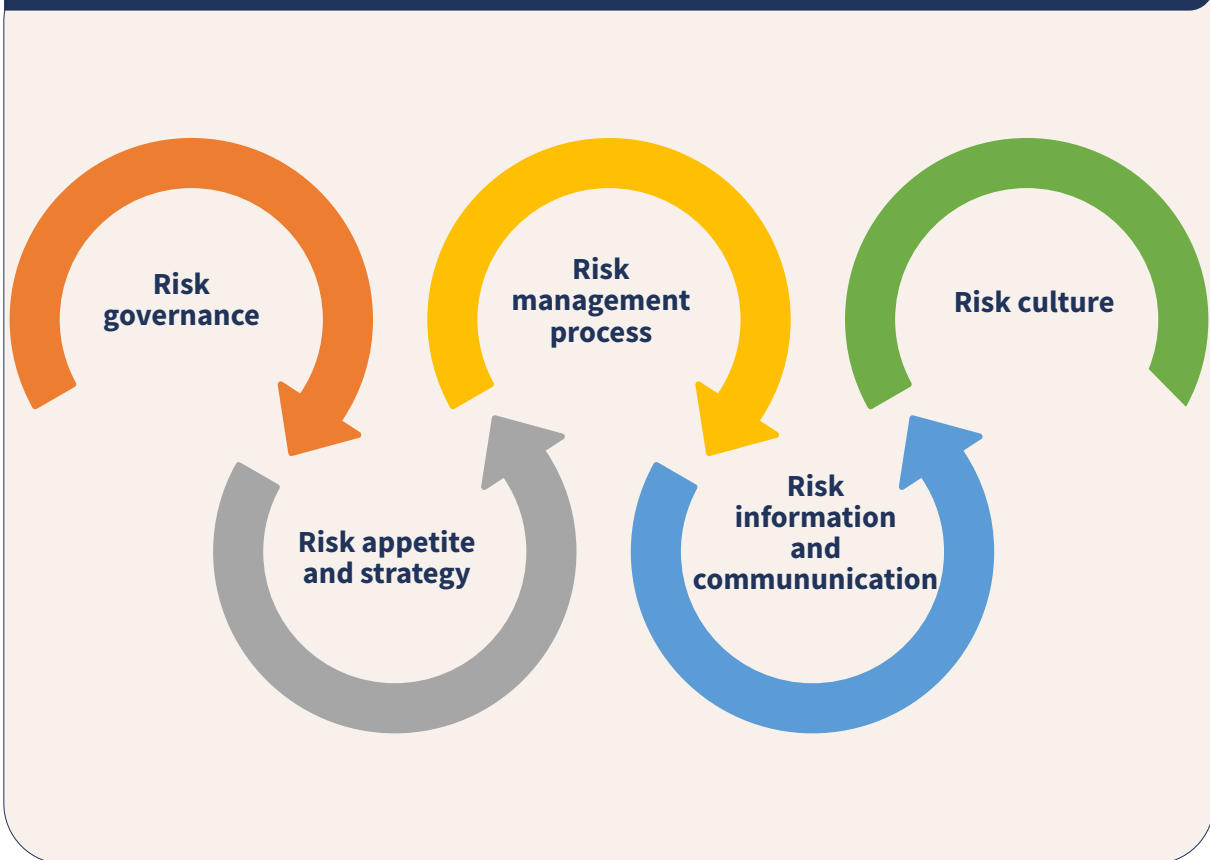
Martin Anioka
Chief Risk Officer

We believe that an effective risk governance model contains checks and balances to support appropriate consideration of risk and opportunity management throughout PostBank Uganda Limited.

To this end, we introduced a renewed risk management framework strengthening risk management by all the three lines of defence.

We therefore consider integrated risk management to be an optimal approach that strengthens operational practices, decision making and goal setting to better respond to stakeholder needs, as well as to support the desired consent and buy in from all our staff.

Our Risk Management framework encompasses the critical facets illustrated below:



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 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.
	Acceptable	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.
	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.

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 management environment to anticipate and effectively manage risks that may arise. We expect uncertainty and rapid change to remain features of our operating environment in 2024 and beyond.

We are cognizant of the key emerging global risks as reported in the World Economic Forum Global Risks report – 2024 among which include Extreme weather, AI generated misinformation/disinformation, societal and/or political polarization, cost of living crisis, cyber-attacks, economic downturn, disrupted supply chains for critical goods and resources, escalation, or outbreak of armed conflict, among others. We continue to review of Risk Management Framework, Business Strategy and Business models to ensure that we remain resilient and relevant in the economy.

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

The Sustainability Standards & Certification Initiative (SSCI).

The bank has enrolled onto the Sustainability Standards & Certification Initiative (SSCI) which delivers a holistic, robust, evolving, and locally sensitive set of standards to make value-driven financial institutions more resilient and profitable.

By this, PBU will be able to create new income streams and thrive for the long-term in an ever more volatile world. SSCI will provide new opportunities for mobilizing funds to finance businesses and projects creating high social and environmental impact.

SSCI will provide an all-encompassing framework for holistic integration of sustainability to drive innovation in the organizational culture at PBU. SSCI inspires the creation of business models based on stakeholder value in a fast-changing world, thereby ensuring the long-term viability of certified financial institutions. It ensures that the work and strategies of certified institutions are congruent with the global Sustainable Development Goals (SDGs) and national development agendas.

Working through the SSCI modules to conduct sustainable business and create sustainable value, aspects of ESG (Environmental, Social and Governance) will be adeptly addressed.



→ Our Operating Context

Our materiality process applies integrated thinking to identify those matters that could affect our capacity to generate sustainable and long-term value for our stakeholders in the short, medium, and long term. We have identified five prominent trends that serve as overarching themes under which our material issues are categorized. These trends hold the potential to revolutionize our business. The subsequent section provides a detailed description of specific risks and opportunities associated with these broad material themes.

Risk categories: ☒ Financial ☒ Operational ☒ Market ☒ Credit ☒ Liquidity ☒ Reputational

Time frame: In this integrated report, we specify the time frame during which each key external factor will have a significant impact on the Bank. The short-term refers to the upcoming financial year that ends on 31 December 2024. The medium-term covers the period up to 31 December 2026, while the long-term refers to the period starting from December 2026 onwards.

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














- ✦ We are rapidly increasing our adoption of digital platforms and mobile Banking solutions to provide seamless online Banking experiences allowing customers to perform a wide range of Banking activities, from checking account balances to applying for loans, without visiting a physical branch. This is in response to our customers increased need for convenience that has resulted in greater adoption of self-service channels. See our strategic response on page 160.
- ✦ Nontraditional competition from telecoms, insurance companies, fintech companies and community SACCOs erodes the number of existing and potential Banking customers available.
- ✦ We are exploring the possibilities that Artificial Intelligence (AI) and Machine Learning (ML) will provide for fraud detection, credit scoring, customer service (through AI-powered chatbots), and personalized Banking experiences.
- ✦ Cybersecurity represents a risk to our reputation, given the advent of new technologies, the heightened use of digital channels following the pandemic, the implementation of remote work setups, and the increasing complexity of cyber-attacks. See page 218 on our approach to cybersecurity.
- ✦ Going forward, we will leverage on big data analytics to gain insights into customer behavior, improve risk management, and make data-driven decisions. This helps in providing personalized services and enhancing customer satisfaction.

How this impacts our strategy – Why it is material

- Adopting cutting edge technologies enables us to foster prosperity for Ugandans by including the excluded with simple to use and effective alternative Banking channels such as Wendi that 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.
- While the innovation and adoption of new technologies can set us apart, an inability to effectively carry out and implement digital transformation could result in business losses, damage to our reputation, a decline in customer experience, and exceeding operational budgets.

Our response /approach

- We have made substantial investments in technology to attract highly committed and skilled professionals.
- We introduced Wendi our mass customer acquisition tool that will bank the masses and bring financial inclusion closer to Ugandans. See our intellectual capital section on page 160.
- We continue to make positive strides in data driven decision making that leverages on big data, AI, and machine learning.
- We continue to strengthen our security controls to create cybersecurity awareness among our clients and employees. See page 218 for additional details.

Year on year movement	Risk category	Time frame	Capitals impacted
	Strategic, operational, reputational.	Short to medium term.	     FC MC NC SRC IC
Impacted short to medium term strategic priorities.     	Related stakeholders Customers, employees & regulators.	Relevant GRI and boundary <ul style="list-style-type: none"> 401: Employment -within. 404: Training and Education – within. 418: Customer privacy -within outside. 203: Indirect economic impacts – outside. 	Impacted SDGs  

For more information on how we are responding, please see our strategy discussion on pages 99 -129.



Context/Description

Geopolitical factors and their subsequent impacts, such as imported inflation, uncertainty, complexity, and ambiguity, have the potential to cause social and economic disruptions. These factors can accelerate trends and underscore structural problems within Uganda's economy.

How this impacts our strategy – Why it is material

Macroeconomic and fiscal uncertainty: Sluggish economic growth, elevated unemployment rates, currency instability, increasing liquidity stress on MSMEs, coupled with high administrative costs, inflation, and deteriorating macroeconomic fundamentals, hinder growth, and investment. These factors could potentially decrease the demand for loans, escalate business costs, and increase the likelihood of customer defaults.

Disrupted supply chains drive up the cost of imports for our customers: The uncertainties surrounding global conflicts have shown how vulnerable we are to imported inflation, which continues to increase our business costs. This could potentially decrease the demand for our services and diminish our customers' purchasing power, thereby impacting our profitability and the customer deposits we hold.

Our response /approach

We are aligning our core portfolio to better withstand the pressures of the current business environment through a heightened credit risk assessment process. We have also developed strategies to better equip our customers to weather the storm through financial literacy programs and constant engagements.

We intentionally develop business development strategies that diversify our revenue streams and increase our market share through new innovations and being the Governments preferred banker.

Year on year movement	Risk category	Time frame	Capitals impacted
	Financial, operational, Market.	Short to medium term.	
Impacted short to medium term strategic priorities. 	Related stakeholders Customers, employees & regulators.	Relevant GRI and boundary 201: Economic performance -within and outside. 203: Indirect economic impacts – outside.	Impacted SDGs

For more on our strategic response see pages 99 to 129.

Social

Heightened regulatory and governance context



Context/Description

➤ Staying updated with pertinent and emerging legislation in the rapidly evolving regulatory environment is crucial to ensure that the associated risks are effectively managed, and controls are integrated into our 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 landscape 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 and complexity of our operations.

➤ Increasing regulatory and compliance requirements following the effects of Covid 19.

➤ Non compliance with applicable laws and regulations can result in substantial penalties and affect our long-term ability to operate.

➤ Observing good corporate governance principles has started restoring our previously eroded public trust that is critical to attracting capital and the goodwill of our business partners.

Our response /approach







➤ Governance is not just about compliance – it is an integral part of our value creation process. Our belief is that our obligations go beyond mere compliance, and that the proactive identification of relevant existing and emerging regulations is crucial for ensuring compliance and safeguarding the funds of our depositors. See pages 30 to 51.

➤ Our dedicated risk management and compliance departments continue to provide oversight on the overall compliance of the bank.

➤ We have maintained proactive relations with the Government and Bank of Uganda.









➤ Our designated legal teams and a robust compliance framework ensure that we comply with applicable laws and regulations.

➤ Training and awareness programmes to enhance staff capacity and appreciation on areas of compliance and ethical culture. See our Human capital section on pages 134 to 151.

Year on year movement	Risk category	Time frame	Capitals impacted
	Operational, reputation.	Short to long term.	     FC MC NC SRC IC
Impacted short to medium term strategic priorities.   	Related stakeholders Shareholders, employees & regulators.	Relevant GRI and boundary 401: Training and Education -within.	Impacted SDGs  

We continue to meaningfully & proactively engage with other regulators that affect our business. For more information on how we are responding, please see our stakeholder discussion on pages 75.

Social	Demographic shifts and the growing demands of a youthful population for quick and reliable self-service channels	
	Context/Description	
	<p>The customer base in the Banking and financial services sector is anticipated to grow steadily in the coming years. The demographic of new customers will predominantly consist of young individuals who seek dependable self-service channels and a consistent customer journey that seamlessly integrates Banking products into their everyday lives and lifestyle.</p>	
	How this impacts our strategy – Why it is material	
	<p>In the past, our distribution model was largely dependent on physical branches and agents. These served our broad base of small and medium-sized customers and were particularly popular with our nationwide agricultural-based customers.</p> <p>Our strategy is to develop a mass customer acquisition model that facilitates self service and is responsive to our customers preference for convenient branchless Banking. We cannot meet our strategic ambitions without innovations that improve customer experience and ultimately retention. We continue to seek partnerships that maximise customer experience and convenience.</p>	
	Our response /approach	
	<ul style="list-style-type: none"> ☛ We are increasing our investments in digital channels and solutions, strategically allocating our capital, and developing innovative, custom-made customer propositions. We are also offering competitive pricing through new partnerships. ☛ We are strategically focusing on simplifying our offerings and accelerating our digital transformation to enhance the customer experience. ☛ We are developing insights into customer needs and behavior patterns, for us to provide tailored customer propositions that result in market leadership in niche segments. 	

Year on year movement	Risk category	Time frame	Capitals impacted
	Strategic, operational, reputational.	Short to long term.	   
Impacted short to medium term strategic priorities.  	Related stakeholders Shareholders, Customers.	Relevant GRI and boundary 416: Customer health and safety outside.	Impacted SDGs 

For more information on how we are responding, please see our strategy discussion on pages 99 to 129.

Social	Workforce capability and methods
	
Context/Description <p>New technologies, shifting macroeconomic circumstances, and heightened regulatory oversight have amplified the necessity for a workforce that possesses diverse skill sets. These employees, with their extensive Banking expertise, are crucial for delivering sustainable value to our stakeholders.</p>	
How this impacts our strategy – Why it is material <p>Our people are vital to our success, and any failure to attract or retain the best talent will limit the achievement of our long-term objectives and sustainability. Attracting and retaining the necessary skills has become increasingly difficult due to fierce competition in the wider market place for talented staff.</p>	
Reason for the increase <ul style="list-style-type: none"> Our people are our business, capable, competent, and engaged people are the hallmark of success in Banking. 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. The productivity and efficiency of our employees is our top priority for sustainable business growth. 	
Our response /approach <ul style="list-style-type: none"> We continue to invest in and strengthen our human capital to serve our customers effectively and diligently. Our culture transformation journey is focused on staff productivity, unity of purpose, customer centricity and values that drive performance and foster the correct attitudes to delivery. Our learning and development initiatives are tailored to specific roles and personal development needs of employees in a manner that bring out the best in each employee. 	

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



07 | RESPONDING STRATEGICALLY

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Chief Executive Officer's Remarks

Julius Kakeeto
Managing Director/CEO



It is with immense pride and a sense of accomplishment that I present to you the performance of PostBank Uganda Limited for the year 2023. This year has been a testament to our resilience, adaptability and commitment to our Purpose.

The Ugandan economy showed signs of recovery from the previous year, with inflation largely contained in the second half of the year. The financial services industry played a pivotal role in supporting the business community, which has been steadily recovering from the after-effects of the COVID-19 pandemic.

Despite the complexities of our operating environment, PostBank achieved significant growth across several performance parameters reflecting our improving operational efficiency and materialization of our strategic initiatives. Income grew by an impressive 30%, driven by an increase in customer loans and deposits and our strategic efforts to diversify our business lines. Our deposits grew by 15%, while our loan portfolio expanded by 26%.

We closed the year with a profit after tax of Ugx. 27.5 billion, reflecting a remarkable growth of 82% from the previous year. This

strong financial performance reinforces PostBank's capital position as we prepare for the new minimum capital requirements set by the regulator with an effective date of June 2024.

See our 5 year trend on page 18 for context.

At PostBank, we remained steadfast in our strategic focus on enhancing customer experience and expanding credit access to Micro, Small, and Medium Enterprises (MSMEs), particularly those operating within the agricultural value chain. This focus is aligned with our Purpose of fostering prosperity for Ugandans. In this regard, we launched the "Wendi" mobile wallet to promote financial inclusion with our "Wona Wooli" (everywhere you are) campaign. I see Wendi as a vital solution to enable access of financial services to all, including the unbanked, as the phone number doubles as the customers' account and the service is not limited to PostBank account holders. See page 160.

We are deeply committed to enhancing our customer value proposition. In line with this commitment, we have taken significant strides to revamp our service delivery by bolstering our internal capacities. See pages 206 and 207. We undertook a strategic restructuring of key departments and established round-the-clock support centers to ensure our customers receive timely and efficient services.



Our service officers underwent extensive training, equipping them with the skills and knowledge necessary to deliver exceptional service. In a bid to build stronger relationships with our customers, we expanded our outreach initiatives and hosted our inaugural Customer Engagement dinner.

Understanding the importance of seamless transactions, we integrated with SWIFT, thereby enhancing the efficiency of cross-border transactions.

Recognizing the increasing threat of cyber risks, we partnered with a globally recognized IT Security provider. This partnership enabled us to provide comprehensive cyber risk training to our staff and implement robust technologies to combat cyber threats. See pages 218 to 220.

As we look ahead, we remain committed to our Purpose of Fostering Prosperity for Ugandans. We will continue to leverage our strengths and invest in strategic initiatives to drive growth and deliver value to our stakeholders.

I would like to express my sincere gratitude to all our stakeholders - the Government of Uganda, our Shareholder, the Bank of Uganda, our Regulator, our loyal Customers, our Staff without whom none of these results would be possible, and our esteemed Partners, your unwavering support and trust have been instrumental in our success.

Together, we look forward to a prosperous 2024.

Julius Kakeeto,
Managing Director/CEO

➔ Those Charged with Governance

Board of Directors



Mr. Andrew Otengo Owiny
Chairman

Ms. Beatrice Lagada
NED

Mr. Lawrence Kasenge
NED

Mr. Johnson Mugulusi
NED

Ms. Farida Mukasa Kasujja
NED



Executive Committee



Janey Rachel Nakato
Chief Operating Officer

Peter Ssenyange
Chief Finance Officer

Doreen Muhangazi
Chief Human Resource Officer

Gonzaga Mugumya
Chief Internal Auditor

Martin Mugisha
Chief Credit Officer

Martin Anioka
Chief Risk Officer



Senior Management Team



Damallie Nalukwago
Head Operations & Service

George William Walusansa
Head Public Sector

Brenda Mpoora
Head Fintech

George William Kiyingi
Head Agency Banking

Moses Wandera
Regional Head, Eastern

Francis Lutalo
Head Business Technology

Stella Agaba
Financial Controller

Flavia Nabukeera
Head Mobile Banking



Mr. Joseph Areu
NED



Mr. Julius Kakeeto
Managing Director/CEO



Mr. Andrew Kabeera
Executive Director



Ms. Justine Wabwire Tumuheki
Company Secretary



Ibrahim Kato
Chief Retail Officer



Abaasi Mawanda
Head Business & Institutional Banking



John Paul Miiri
Head Change and Project Management



Priscilla Akora
Head Marketing and Communications



Steven Mwesige
Head ICT Security and Governance



Emmanuel Lukwago
Head Compliance



Huzairu Iga
Head Financial Markets



Martin Lukyamuzi
Regional Head, Greater Kampala



Henry Mubu Rwankwenge
Regional Head, CBD



Kenneth Kawuuki
Head Procurement and Administration



Emmanuel Partaker
Head Legal Services



Adons Aryong
Head Data Analytics and Retail Products



Patrick Osakan
Regional Head, Northern



James Kasozi
Head Digitization & Innovation



Frank Kalinzi
Head Bancassurance

→ Our Strategic Approach

Envisaged Opportunities.

Our strategy forms a fundamental part of our value creation story, and it emphasizes why we open our doors every day to over 40 million Ugandans. Our reason to exist everyday - our purpose is to foster prosperity for all Ugandans.

In our view the most crippling hinderance to economic prosperity and economic resilience of Ugandans is access to finance. We enable individuals and businesses to access useful and affordable financial solutions that in turn help them prosper. Our key strategic focus sectors are the Micro, Small and Medium size Enterprises (MSMEs) and the masses.

A strategic reset: From strategic plan (2020-2025) to strategic plan (2024 – 2028).

Driven by the successful execution of our 2020-2025 strategy, we reset our strategic direction in November 2023 to our 2024 -2028 five-year strategy. The board acknowledged the rapid progress we had made, the evolving needs of our target market and signalled the need for a change in strategic direction.

Our Strategy Road Map



- Tier 1 fully fledged commercial Banking status from a credit institution license.
- Improved customer experience through technology investments – upgraded core Banking system, ATM switch & related cyber security protection.
- A reconstituted board and governance framework.
- Revamped the branch network and points of representation.
- Major restructuring and attracted seasoned and skilled bankers to commence a turnaround journey of the bank's performance.
- Changed brand perception & placed the bank on a positive trajectory.
- Wendi – an innovative interoperable solution that brings Banking solutions to the unbanked.
- New business lines through Digital Financial Services.

WHERE WE ARE GOING (2024-2028)

PostBank Uganda's 2024 – 2028 strategy will focus on embedding business sustainability.

- Relevance to stakeholders.
- Long term approach to business growth and embedding business sustainability.

Our priority will be given to:

- Positioning our digital financial services business as a market leader in the Banking & financial sector.
- The overarching purpose of our existence.
- Organizational cultural transformation to align closely to the bank's objectives.
- Innovating for our target market and continuous measurement of impact.

Our Purpose

To foster prosperity for Ugandans.

Our Vision

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

WHAT WE SHALL DELIVER AHEAD BY (2028)



Our new strategic pillars



Performance



Governance & Risk



Technology



People



Service

Our strategic priorities from our strategic pillars and sustainability journey.

What we shall deliver by the end of 2028

Our performance strategic pillar

Our key deliverables.

- | | |
|---|--|
| ➤ Achieve returns for the shareholder above industry average. | ➤ Finance & promote use of renewable energy. |
| ➤ Double market share. | ➤ Finance & promote water conservation. |
| ➤ Boost value addition in the food production value chain. | ➤ Promote social services in business. |
| ➤ Key banker of public sector & social enterprises. | ➤ Drive sustainable financial inclusion through technology innovation. |
| ➤ Finance MSMEs. | ➤ Financial solutions for the unbanked population in Uganda. |

How we shall deliver results

Our Service, People and strategic pillars.



Service



People

Our key priorities.

- Simplify customer on boarding and ease of transacting with us.
- Cultural change across our business.
- Develop a highly skilled and competitive workforce.
- Build a productive and engaged workforce.

How we shall deliver results

Our Service, People and strategic pillars.



Governance & Risk

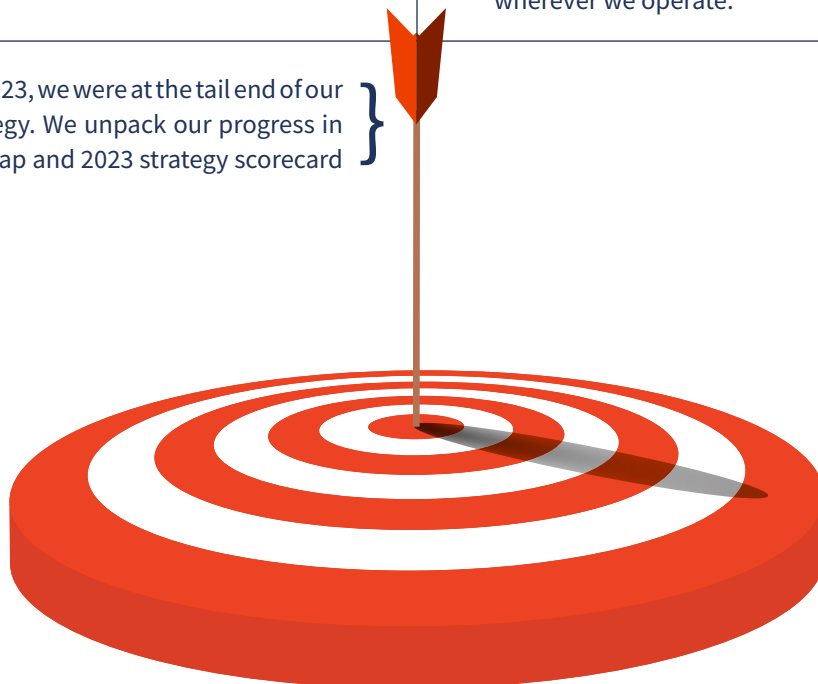


Technology

Our key priorities.

- Proactive stakeholder management.
- Profitability through sustainability.
- A robust and responsive risk management organization wide environment.
- Sustainability led impact on society of wherever we operate.

{ At the end of 2023, we were at the tail end of our five-year strategy. We unpack our progress in our strategy map and 2023 strategy scorecard below. }





Together with CiC Insurance, we provided compensation to 107 farmers from Kween district who suffered significant losses during the 2023 drought season, resulting in severe damage to their crops. The ceremony, held at our branch in Kapchorwa, saw a total disbursement of Ushs 291,564,674 to support these farmers.



Some of the beneficiaries of the agriculture insurance claims.

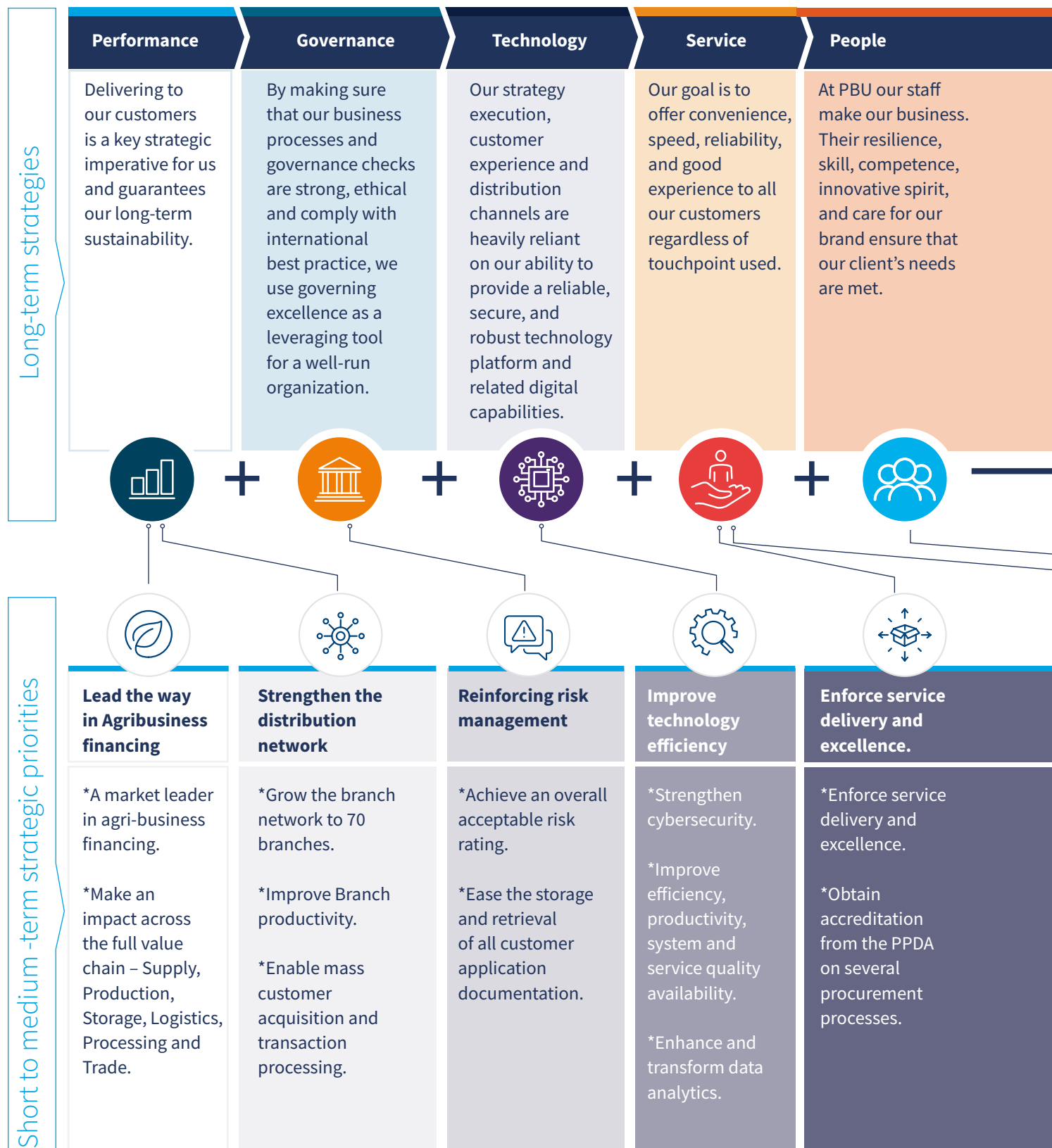
In partnership with CiC Insurance, we provided compensation to 37 farmers from Kiryandongo district and neighboring areas, who suffered significant losses during the 2023 drought season, resulting in severe damage to their crops. This compensation, made possible through PostBank's agriculture insurance, serves as a beacon of hope amidst adversity. The ceremony, held at our branch in Bweyale, saw a total disbursement of Ushs 50,266,407 to support these farmers.

→ Strategy map (2020 to 2025 strategy)

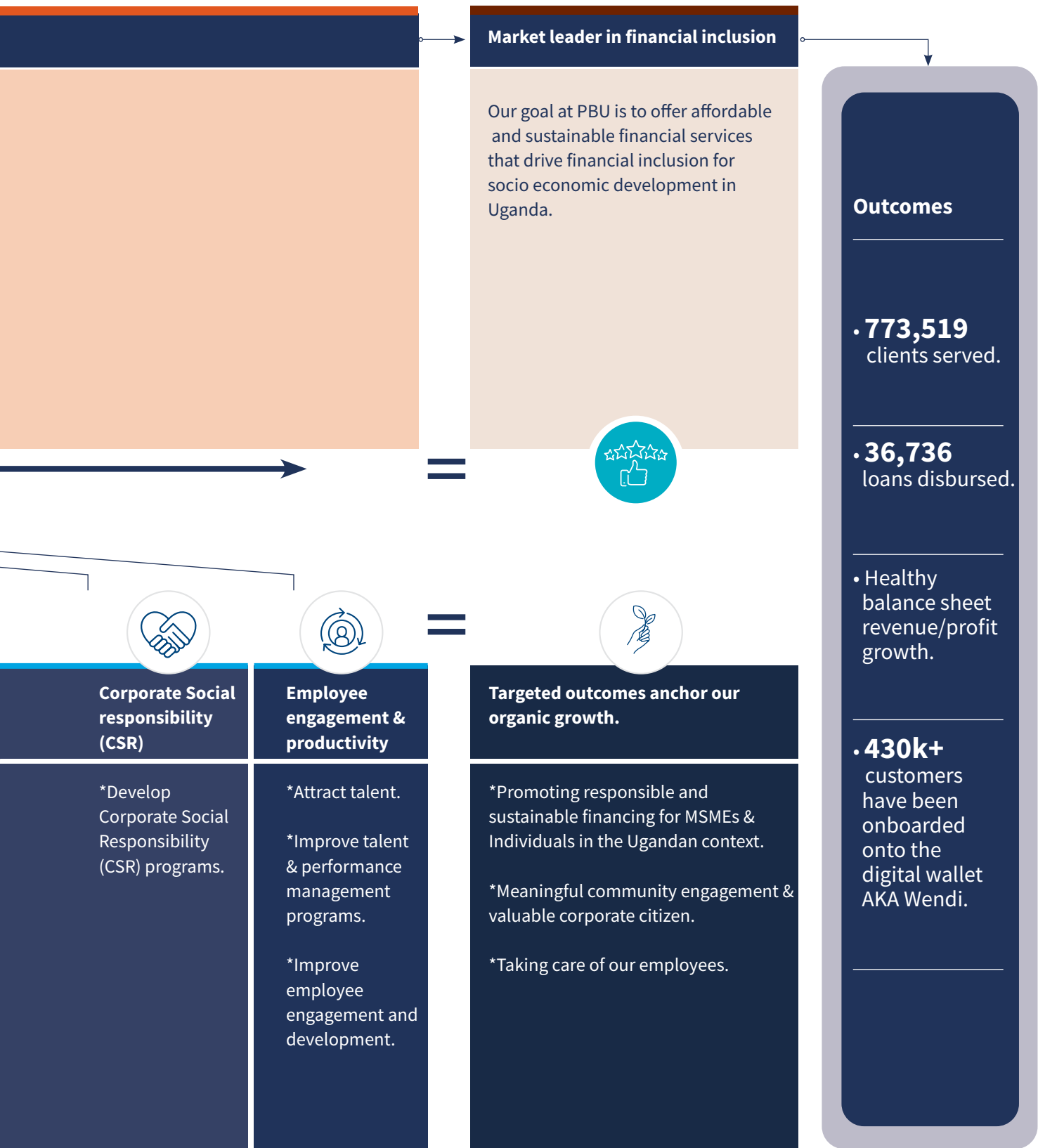
Our 5-year strategic intent

A market leader in financial inclusion that drives socio economic development.

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



Short to medium-term strategic priorities





Our short to medium-term strategic priorities

Before our strategic reorientation during the last quarter of 2023, we executed our strategic priorities to achieve our long-term strategy. Our five strategic pillars were aligned to each strategic pathway to drive the achievement of our long-term strategy. Within these priorities, we identified key focus areas with the anticipated outcomes as illustrated on page 111.

A close-up, artistic photograph of a hand placing a wooden block onto a larger, complex structure made of many other wooden blocks. The block being placed is light-colored and has the word "DECISION" printed on it in bold, black, sans-serif capital letters. The background is dark and out of focus, emphasizing the hand and the blocks.

DECISION



Strengthen the distribution network.



Driving sustainable financial inclusion by widening our distribution network.

Trade offs – the tough choices we made

❖ 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.

Why

75% of Uganda's gross national product (GDP) is in Kampala and Wakiso districts in which our footprint has been historically poorly represented. We deliberately investing in increasing our branch network in the right areas by revamping and expanding our distribution network including introducing innovative solutions that will facilitate payments through our economy.

How

We primarily deploy financial capital from our shareholders to increase the number of Ugandans that have access to financial services in line with Vision 2040 and the National Development Plan Three (NDP III) 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.

Way forward

We will continue to invest in infrastructure, expanding our wallet and agency networks and roll out inclusive digital financial solutions.

Material matters



Capitals impacted



Primary UN SDGs



Lead the way in Agribusiness financing.



Boosting value addition in the food production value chain by leading the way in Agribusiness financing.

Trade offs – the tough choices we made

❖ 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.

❖ Commit significant capital to a risky but essential portfolio.

Why

Agriculture is the backbone of Uganda's economy. We believe that agribusiness is the engine that adds value to our farmer's produce and supports Uganda's export promotion strategy of value addition. Supporting the entire value chain with a specific focus on mechanization, agro processing, storage, and logistics of specific agricultural sub sectors will amplify the country's agricultural output.

How

We have committed to making available at least 35% of our loan book to financing specific agri-business sectors by 2025 and beyond.

Way forward

We continue to work towards being the market leader in Agribusiness financing and make a meaningful impact across the full value chain - supply, production, storage, logistics, processing, and trade.

Material matters



Capitals impacted



Primary UN SDGs



Reinforcing risk management.



Fostering a robust and responsive risk management organization wide environment.

Trade offs – the tough choices we made

❖ We incur costs of compliance to establish business systems and processes including training our staff, and engaging specialist skills.

❖ Prudent risk appetites limit growth potential due to excessive precaution.

Why

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.

How

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.

Way forward

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 enough to meet regulatory requirements.

Material matters



Capitals impacted



Primary UN SDGs





Strengthen cyber security.



creating a safe environment for our customers deposits and data.

Trade offs – the tough choices we made

➤ 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.

Why

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

How

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.

Way forward

We continue to invest in improving our cyber security capabilities both in terms of people and systems to deliver world class and confidence boosting protection and security for our customers.

Material matters



Capitals impacted



Primary UN SDGs



Improve efficiency, productivity, system & service quality availability.



Generating profitability sustainably.

Trade offs – the tough choices we made

➤ Our investments in improved systems, processes, people and meeting regulatory capital requirements cost us financial capital in the short and medium term.

Why

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.

How

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.

Way forward

We have and will continue to make significant 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 now and in the future.

Material matters



Capitals impacted



Primary UN SDGs



Enhance and transform data analytics.



Data backed decisions seldom go wrong.

Trade offs – the tough choices we made

➤ 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.

Why

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. 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.

How

We will continue to strive to understand our customers' behavior as well as their changing preferences by enhancing our ability to gather data and enhance analytics to deploy the right customer solutions and incorporate customer behavior in all our business decisions.

Way forward

We will rely on big data and artificial intelligence as part of our strategic response to IT innovation trends that are shaping innovative service to customers and efficient governance in financial services.

Material matters



Capitals impacted



Primary UN SDGs





Improve performance management.



We will achieve returns for the shareholder above industry average.

Trade offs – the tough choices we made

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

Why

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.

How

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

Way forward

The performance of our people drives the execution of our long-term objectives. Our continued efforts to train and develop our staff are intended uplift their financial, physical, and mental well-being.

Material matters



Capitals impacted



Primary UN SDGs



Improve employee engagement and development.



Our employees are priceless resources.

Trade offs – the tough choices we made

- We have committed significant financial resources to our training and development programs in the short, medium term to enable this change.

Why

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.

How

We shall continue to deploy the best minds and tools to engage with our staff on a regular basis. We have also developed predictable growth paths for our staff. This is costly process secures our social contract with our staff as they choose to grow their careers with us.

Way forward

By ensuring that we maintain an engaged, skilled, and motivated workforce, we will drive towards the successful execution of our strategy and goals.

Material matters



Capitals impacted



Primary UN SDGs



Attract talent to the Organisation.



Building a productive and engaged workforce.

Trade offs – the tough choices we made

- The learning curve of new talent may temporarily impact customer service excellence.
- We have committed significant financial resources to our training and development programs in the short, medium term to enable this change.

Why

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

How

We have reviewed and revamped our remuneration practices and policies to ensure that we attract the best talent for roles we deem strategically important to our business.

Way forward

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.

Material matters



Capitals impacted



Primary UN SDGs





Enforce service delivery and excellence.



Become the key banker of public sector and social enterprises.

Trade offs – the tough choices we made

- Long term investments in our processes, technology, and people to provide seamless service experience to our clients requires upfront capital outflows.
- Investments in our branch network requires significant financial capital.

Why

Our history is marked with labels of poor and unresponsive service offerings. 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.

How

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. We have invested in enhancing our customer and relationship management capabilities and reviewed key process flows to create optimum experiences for our new and repeat customers.

Way forward

We will strive to satisfy our customers' needs by offering fast and reliable services that create memorable experiences at all touch points encountered.

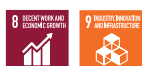
Material matters



Capitals impacted



Primary UN SDGs



Obtain accreditation from the PPDA on several procurement processes.



PPDA accreditation is testament to good governance practices.

Trade offs – the tough choices we made

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

Why

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.

How

In partnership with other Government of Uganda owned financial institutions we have collectively proposed a procurement policy for these entities to the Public Procurement & Disposal Authority.

Way forward

We will continue to maximise our competitive advantage through efficient and effective acquisitions that ensure the banks long term and sustainable success. This will guarantee that we are equipped with the require assets including tangible and intangible assets to deliver on our strategy.

Material matters



Capitals impacted



Primary UN SDGs



Develop Corporate Social Responsibility (CSR) programs.



Delivering Sustainability led impact on society of whenever we operate.

Trade offs – the tough choices we made

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

Why

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.

How

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.

Way forward

Our community involvement in activities our key stakeholders care about draws us closer to our targeted customer base through these CSR programs & partnerships.

Material matters



Capitals impacted









Primary UN SDGs


















→ Our Strategy Scoreboard – Unpacking Our Progress












Outcomes	 Positive outcome	 Negative outcome	 In progress
Value indicator	 Value preserved	 Value created	 Value eroded

→ Performance

Strategic objectives	Priorities for 2023	Key deliverables	Status outcome	Value indicator	
 Grow market share	Growth in the customer deposits market share to 2.3% by 2025.	A customer deposit market share of 2.3% in 2023.			
	Mass acquire at least 5% of Uganda's bankable population.	Deploy the mobile wallet.			
		5% of Uganda's bankable population mass acquired on the mobile wallet.			
 Improve profitability	Achieve a revenue market share of 3.6% by 2025.	A revenue market share of 3.2% in 2023.			
 Lead the way in agribusiness financing	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 by 2025.	15.8% of the loan book is advanced to support mechanization, agro-processing, storage, and logistics agricultural value chains.			







	Actual			Notes	Future priorities	Expected outcomes
	2023	2022	2021			
	2.32%	1.70%	N/a	📌 The bank achieved a customer deposit market share of 2.3% in 2023, a testament of improved efficiency and customer centricity.		
	Achieved	N/a	N/a	📌 We deployed our Digital Wallet called Wendi.		📌 At least 5% of Uganda's bankable population mass acquired.
	1.51%	N/a	N/a	📌 340k+ customers have been onboarded onto the digital wallet aka Wendi. Over the last couple of months, the average client enrolment rate has been 120.3% month on month.		
	2.60%	N/a	N/a		📌 Diversify our revenue streams through innovative client solutions.	📌 A revenue market share of 3.6% by 2025.
	17.30%	13%	N/a	📌 17.3% of the loan book has been advanced to support the cattle, poultry, coffee, and grain agricultural sub-sectors.	📌 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.

Our strategy scoreboard- unpacking our progress (continued)
Performance (continued)

Strategic objectives	Priorities for 2023	Key deliverables	Status outcome	Value indicator	
 Strengthen the distribution network	Grow the branch network to 70 branches with 40% and 30% performing as Tier 1 and Tier 2 branches respectively by 2025.	Grow the branch network to 64 branches in 2023.			
		Percentage of Tier 1 branches (40%).			
		Percentage of Tier 2 branches (30%).			
		Number of Agents enrolled.			
		Percentage of active Agents.			



Governance & Risk

Strategic objectives	Priorities for 2023	Key deliverables	Status outcome	Value indicator	
 Improve 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.			

	Actual			Notes	Future priorities	Expected outcomes
	2023	2022	2021			
	60	58	51	<ul style="list-style-type: none"> • We opened Forest mall and Kyazanga branches in 2021. Ibanda, Ishaka, Nsangi and Kireka were opened in 2022. • Bulenga, Kawempe and Nansana branches have been opened in 2023. 	<ul style="list-style-type: none"> • Grow the branch network to 70 branches in 2025. 	<ul style="list-style-type: none"> • A strong distribution network that aids financial inclusion.
	33%	33%	22%			
	28%	20%	24%			
	1,652	512	414	<ul style="list-style-type: none"> • 1.6k+ agents enrolled (as of 31-Dec-23), Bank Agents (525) and Wendi Agents (1,127). 	<ul style="list-style-type: none"> • Grow the agent network to 2,000 agents in 2025. 	
	68.5%	79.3%	N/a	<ul style="list-style-type: none"> • With 68.5% active (Bank Agents). 		

	Actual			Notes	Future priorities	Expected outcomes
	2023	2022	2021			
	Acceptable	Needs improvement	Needs improvement	<ul style="list-style-type: none"> • We continue to improve and have put in place strategies to achieve a “Satisfactory” risk rating by 2025. 	<ul style="list-style-type: none"> • Proactively drive closure of regulatory findings, Internal Audit findings and risk review and investigation findings. 	<ul style="list-style-type: none"> • Achieve a “Satisfactory” onsite BoU regulatory rating.
	Fair	Unsatisfactory	Unsatisfactory			
	Satisfactory	Fair	Unsatisfactory			

Our strategy scoreboard- unpacking our progress (continued)


Governance & Risk (continued)

Improving risk management (continued)

Strategic objectives	Priorities for 2023	Key deliverables	Status outcome	Value indicator	
 Improve risk management	Ease storage and retrieval of customer documentation.	Centralization of records in an offsite location.	✓	=	
		Implement Document Management System.	✓	=	
		100% Customer Documentation Stored Online.	✓	=	
	Prioritize Sustainability.	Gain acceptance to the SSCI.	▲	+	
		Achieve the SSCI certification.	✓	=	





Technology

Strategic objectives	Priorities for 2023	Key deliverables	Status outcome	Value indicator	
 Improve technology efficiency and service quality	Attain an overall acceptable internal and external risk and compliance rating.	Upgrade of the ATM Switch completed.	✓	=	
		Average transactions processed on the ATM Switch monthly.	▲	+	
		Core Banking System (CBS) upgrade implemented.	✓	=	
		Number of customers served.	▼	—	

	Actual			Notes	Future priorities	Expected outcomes
	2023	2022	2021			
	In progress	Not started	Not started	🔗Construction of the offsite physical archiving premises is in the final stages and relocation of archives has commenced.	🔗 Roll out a document management system and centralization of records.	🔗All customer related documents centrally stored.
	In progress	Not started	Not started	🔗The implementation of the Document Management System is in progress.		
	Not started	Not started	Not started	🔗This is planned for once the Document Management System is implemented.		
	Achieved	In progress	N/a	🔗The Bank was accepted to the Sustainability Standards and Certification Initiative (SSCI) in July 2023 in Karlsruhe, Germany.	🔗 Finalizing and getting approved High Impact Goals (HIGs) and targets.	🔗 SSCI certification achieved.
	Not started	Not started	Not started			

	Actual			Notes	Future priorities	Expected outcomes
	2023	2022	2021			
	Completed	Completed	N/A	🔗 ATM switch upgrade improved customer experience and usage, with over 79% transactions processed at the digital channels.	🔗 Integrate with VISA for acquiring at PostBank ATMs.	🔗 A higher transaction success rate which is vital to our customer experience.
	596k+	437K+	N/A			
	Completed	Completed	N/A	🔗 Over 100k accounts of customers that were no longer Banking with the Bank had to be closed due to a breach of compliance requirements by the account holders.		🔗 A robust customer service-oriented Core Banking System.
	773K+	772K+	710K+			

Our strategy scoreboard- unpacking our progress (continued)
Technology (continued)

Strategic objectives	Priorities for 2023	Key deliverables	Status outcome	Value indicator	
 Improve technology systems service availability					
	Attain an average uptime for all critical Bank I.T. servers and I.T. systems of 98% monthly by 2024	Average uptime for all critical Bank I.T. servers and I.T. systems of 98% monthly by 2024.	▲	+	
 Enhance and transform data analytics		Data warehouse Deployed.	▲	+	
	Implement business intelligence tools to promote data driven decisions.	Business Intelligence Application Deployed.	▲	+	
		At least 50 reports published by the Business Intelligence Application.	▲	+	
 Leverage technology for risk and governance		Deploy a privileged access management system.	▲	+	
	Implement solutions to reduce cybersecurity risk exposure across the whole bank enterprise.	Implement a Web Application Firewall.	▲	+	
		Implement a bank-wide IT Risk Awareness program to equip staff to handle data & IT systems responsibly.	▲	+	
		Implement multi-factor authentication for key systems and bank users.	▲	+	

	Actual			Notes	Future priorities	Expected outcomes
	2023	2022	2021			
	98.1%	99.6%	99.4%	<ul style="list-style-type: none"> The bank has been able to achieve and maintain uptime of its I.T servers and I.T systems above the threshold of 98% monthly. 	<ul style="list-style-type: none"> Stable network availability that supports the bank's digital agenda. Rollout of a data literacy program in 2023. 	A minimum expected uptime of 98% across all critical Bank branch networks, servers, and applications.
	Completed	Completed	N/A	<ul style="list-style-type: none"> The Data Warehouse and Business Intelligence Application were deployed and are in use. Over 100 reports have been published through the Business Intelligence application. 	<ul style="list-style-type: none"> Rollout the Data Governance Framework. 	<ul style="list-style-type: none"> Value driven data governance. Prioritize data-driven decision making.
	Completed	N/A	N/A			
	100+ reports deployed	N/A	N/A			
	Completed	Completed	N/a	<ul style="list-style-type: none"> The bank has and continues to put in place systems and procedures to proactively manage risk and ensure every employee is a risk champion in the technology space and the institution as a whole. 	<ul style="list-style-type: none"> Certify with ISO27001. Achieve a Recovery Time Objective of less than 1 hour. 	<ul style="list-style-type: none"> A secure online environment for our growing customers. System security exception rate of less than 2%.
	Completed	N/a	N/a			
	Completed	N/a	N/a			
	Completed	N/a	N/a			

People

Strategic objectives	Priorities for 2023	Key deliverables	Status outcome	Value indicator	
 Establish a culture that supports productivity and growth	Boost the overall performance of employees.	Average percentage of employees that achieve an appraisal score of 80% and above.	▲	+	
		Improve, convert, and digitize learning materials for staff applicable to their career journey.	▲	+	
		Achieve an average revenue per employee per month of Ushs 11M by 2023.	▲	+	
		A functional Data Literacy Program.	✓	=	
 Improve and sustain employee engagement	Create structured paths for career development, reduce regrettable employee attrition & provide a voice for our employees in management decision making.	Employee Engagement Score of at least 90%.	▼	—	
		Percentage regrettable attrition rate of 5%.	▲	+	
		A talent management framework developed and rolled out.	✓	=	






	Actual			Notes	Future priorities	Expected outcomes
	2023	2022	2021			
	81%	85%	71%	<ul style="list-style-type: none"> The performance is expected to improve in H2 2023 due to the increased sales as evidenced in the first 3 months of H2 2023. 	<ul style="list-style-type: none"> Improve and digitize learning materials. Improve productivity tracking and performance management. Roll out the Data Literacy Program. 	<ul style="list-style-type: none"> Increased employee productivity.
	Completed	N/A	N/A	<ul style="list-style-type: none"> A digital eLearning platform was deployed, and digital content uploaded for staff. 		
	12.9M	8.6M	N/A	<ul style="list-style-type: none"> The revenue per employee per month target of Ushs 11M was exceeded in 2023, a testament to great employee performance and increased efficiency. 		
	In Progress	N/A	N/A			
	72%	N/A	76%	<ul style="list-style-type: none"> A cultural change assessment survey was conducted in Aug 2023 and employee engagement, one of the parameters was scored 72%. 	<ul style="list-style-type: none"> Implement recommendations from the assessment survey as a way to increase employee engagement. 	<ul style="list-style-type: none"> Achieve an employee engagement score of at least 90%.
	4.5%	7%	N/A	<ul style="list-style-type: none"> The bank achieved a regrettable attrition of less than 5% which puts forth the bank as an employer of choice. 		
	In Progress	N/A	N/A	<ul style="list-style-type: none"> The talent management framework has been implemented for head office staff and is to be rolled out at branch level in 2024. 		

Service

Strategic objectives	Priorities for 2023	Key deliverables	Status outcome	Value indicator	
Enforce service delivery and excellence 	Achieve an average customer onboarding turnaround time of 1 day.	Roll-out a centralized account opening and instant account opening solution.	✓	=	
	Improve loan end to end turnaround time (TAT) to serve more customers effortlessly.	Centralization of Loan Disbursements.	✓	=	
		An average turnaround time of 14 days and 1 day for secured loans and unsecured personal loans respectively.	△	+	
	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%.	▽	—	

	Actual			Notes	Future priorities	Expected outcomes
	2023	2022	2021			
	In Progress	N/A	N/A	<ul style="list-style-type: none"> At least 30% of the branches have been onboarded onto the centralized account opening system. Account opening also available for Internet Banking and PostApp. 	<ul style="list-style-type: none"> An average customer onboarding Turnaround time of 1 day. 	<ul style="list-style-type: none"> Improved customer onboarding turnaround time.
	In Progress	Not Started	N/A	<ul style="list-style-type: none"> Disbursements for at least 48% of the branches have been centralized. 	<ul style="list-style-type: none"> Centralization of loan disbursements. 	<ul style="list-style-type: none"> Improved end to end loan turnaround time.
	Delivered	Not delivered	Not started			<ul style="list-style-type: none"> Timely and effortless customer service to our largely time sensitive MSMEs clientele.
	72.00%	69%	56%	<ul style="list-style-type: none"> We implemented a robust customer management system to aid complaint resolution and compliment the customer contact center the bank opened in 2021. 	<ul style="list-style-type: none"> Implement a self-care customer complaints management portal. 	<ul style="list-style-type: none"> Increased customer satisfaction and loyalty.
	52%	53%	56%	<ul style="list-style-type: none"> The bank now has a 24/7 operational contact center to aid in complaint and inquiry resolution and continues to improve in resolution of complaints. 		

Our strategy scoreboard- unpacking our progress (continued)
Service (continued)

Strategic objectives	Priorities for 2023	Key deliverables	Status outcome	Value indicator	
 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 outcomes
	2023	2022	2021			
	26	26	26			
	Not achieved	In progress.	N/A	<ul style="list-style-type: none"> ☛ The Public Financial Services procurement policy accreditation bid was cancelled. 		
	1	1	2	<ul style="list-style-type: none"> ☛ GATTA KO OMUTINDO with the federation of small and medium sized enterprises is our flag ship CSR program. 	<ul style="list-style-type: none"> ☛ Engage in CSR activities that are sustainable and positively impact our stakeholders. 	<ul style="list-style-type: none"> ☛ Creating a sustainable impact to the Bank's stakeholders.

08 | VALUE CREATION

The Value We Embed

- 134 Our Human Capital
- 156 Our Intellectual Capital
- 178 Our Manufactured Capital

The Commercial Value We Deliver

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- 196 Financial Highlights

The Social Value We Contribute

- 204 Our Social and Relationship Capital
- 221 Our Natural Capital







The Value We Embed

How we use our capitals to create value



HC

1. Our Human capital



IC

2. Our Intellectual capital



MC

3. Our Manufactured capital



The People and Culture Team



The Value We Embed

1.



Human Capital

GRI 102-8

Key elements of our human capital

Human Capital includes the knowledge, skills and experiences of our people that enables innovative and competitive solutions for our clients. The success of our business and the satisfaction of our customers hinge on effective engagement with our employees.



Key inputs

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



Key challenges

- Out-dated HR information system.
- Inadequate human resource capacity.
- The war for talent.
- Augment talent and performance management programs.



Key outputs

Employee engagement

Number of employees

1,153
(2022: 1,099)

Revenue per employee

12.9 Mn
(2022: 11.1 Mn)

Training and development

Investment in training

Ushs 1,359 Bn
(2022: Ushs 862 Mn)

Equal opportunity

Number of female employees

512 (2022: 481)



Key opportunities

- Upgrade our HR information system.
- Launch of our Retail Academy to bolster our talent pipeline improve recruitment TAT.
- Attract and retain the right skills to drive and execute our strategic goals.
- Build staff capacity through various training interventions.
- Cultural transformation journey.



How we grow our human capital

- 1 Attracting the best talent who will complement our existing team and exceed performance expectations to achieve the Bank's objectives.
- 2 Cultivating a successful team by providing thorough training to enhance employees' skill sets, aligning them with the demands of modern digitized operations.
- 3 Cultivating a successful team by providing thorough training to enhance employees' skill sets, aligning them with the demands of modern digitized operations.
- 4 Build staff capacity through various training interventions.

Leveraging our human capital



Financial capital

Investments in building human capital contribute to long-term financial gain through increased productivity, efficiency, and delivery of unparalleled customer experience.



Manufactured capital

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



Intellectual capital

Investments in training and development enhance employee knowledge, skills, and business training that benefits the Bank.



Social and relationship capital

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



Natural capital

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

Connectivity with stakeholders, material matters, and short to medium-term strategic priorities

Related stakeholders



Material matters



Short to medium-term strategic priorities



Potential trade offs

- ❖ The allocation of time, effort, and resources towards enhancing the work environment for our workforce may initially shift attention away from purely building our operational capacity. However, our long-term financial well-being relies on fostering an environment that brings out the best in our people.
- ❖ Offering job opportunities and bringing in new hires may lead to a short-term reduction in financial capital. However, in the long run, it can bolster intellectual capital, as well as social and relationship capital, by introducing diverse and capable individuals to the Bank.
- ❖ Developing competencies in customer service, innovation, operational excellence, and corporate culture and values through learning and development may result in an initial decrease in financial capital. However, it can ultimately enrich human, intellectual, and financial capital in the long run.

Contribution to SDGs



Providing employment opportunities Supports economic development.



Direct employment opportunities improve our employee's quality of life.



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



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

Chief Human Resource Officer's Remarks

Doreen. A. Muhangazi
Chief Human Resource Officer



In 2023, PostBank continued to deliver on its grand transformational journey. The Bank flourished on all the key business parameters and even inaugurated the remarkable WENDI platform. This was only possible because of the unwavering commitment, unequalled capabilities and dedication of our PEOPLE.

As a unit, we have made remarkable strides over the last one year and a multitude of initiatives took center stage. At the heart of our endeavors has been getting the right talent in our corner.

As the Bank continues to evolve, so does the talent that we need to attract to deliver on the ambitious business goals. In 2023, the Bank filled over 30 technology related roles to support the digitization journey.

Organizational culture is undoubtedly critical in shaping the future of the Bank and alignment of every single piece to the overarching PURPOSE. We have embarked on an exciting culture transformation journey that has been designed along six(6) winning behavioral pillars;

- ✦ **Respect®(R),**
 - ✦ **Accountability(A),**
 - ✦ **Customer Solutions(C),**
 - ✦ **Enabling Leadership(E),**
 - ✦ **Unity of Purpose(U) and**
 - ✦ **Peak Performance(P).**
- #RaceUp**

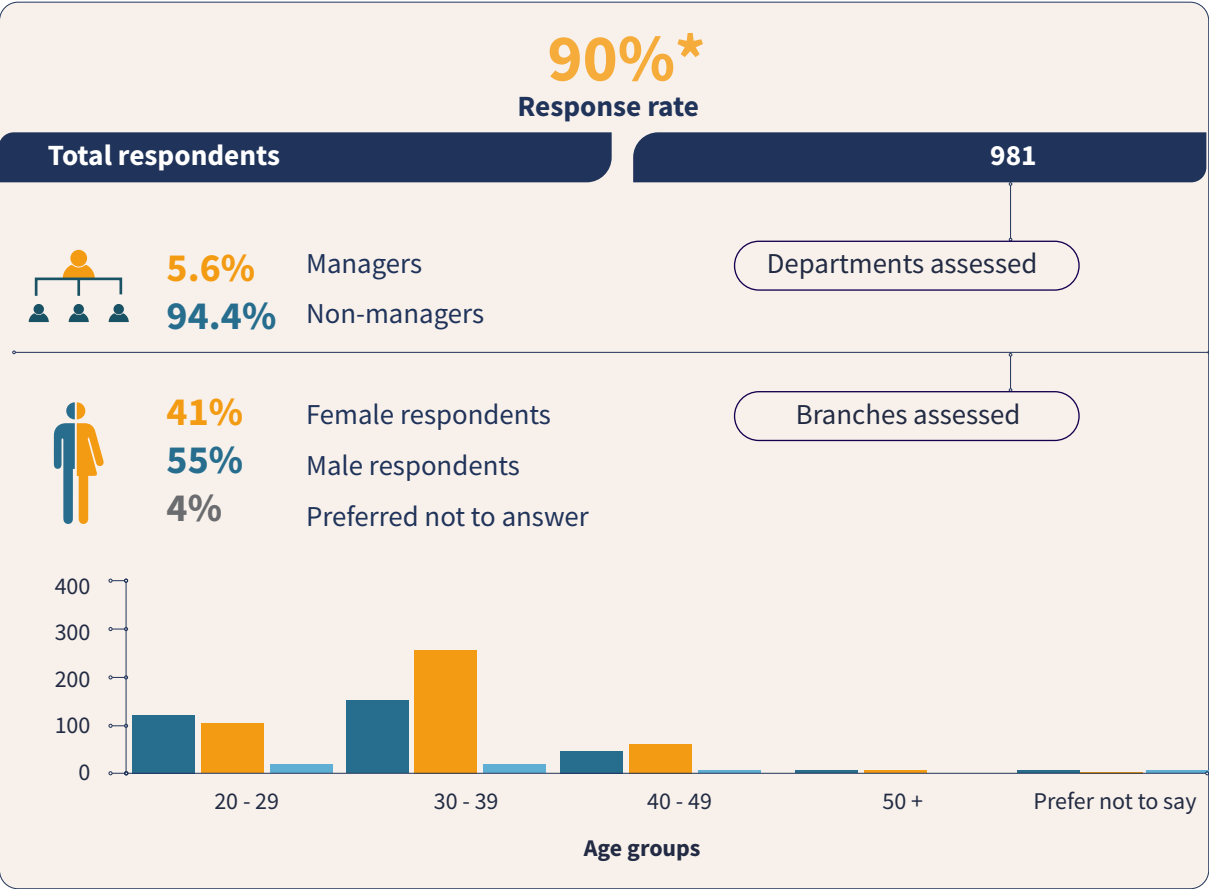
With the introduction of MOODLE, we have taken elementary steps in advancing into a learning organization. We are immensely proud of our people and how they continue to grow and contribute to the success of this great institution. A detailed exploration of what we have been able to do has been highlighted in the pages that follow.

→

Our Flagship HR Initiative ‘Cultural Transformation Journey’

In 2023, we embarked on a cultural transformation journey that is more than just a strategy but testament to our shared commitment to excellence. By aligning our values with our daily operations, we are fostering an environment that not only survives but thrives in the VUCA world.

The staff cultural survey, boasting an impressive 90% response rate, has proven to be an invaluable tool for gaining insights. These insights have empowered us to make informed decisions, strategically shaping PostBank into a workplace our employees take immense pride in.



The Cultural Transformation Pillars, gauged through the survey, provided a nuanced understanding. Notable scores include Change management at 77%, Engagement at 72%, Ethics and Integrity at 67%, Values and Wellbeing at 62%, Organizational Structure at 60%, Compensation and Benefits at 44%, Performance Management at 59%, and Learning & Career Development at 59%. These scores serve as a compass, guiding our ongoing commitment to fostering a workplace culture of excellence and employee satisfaction.



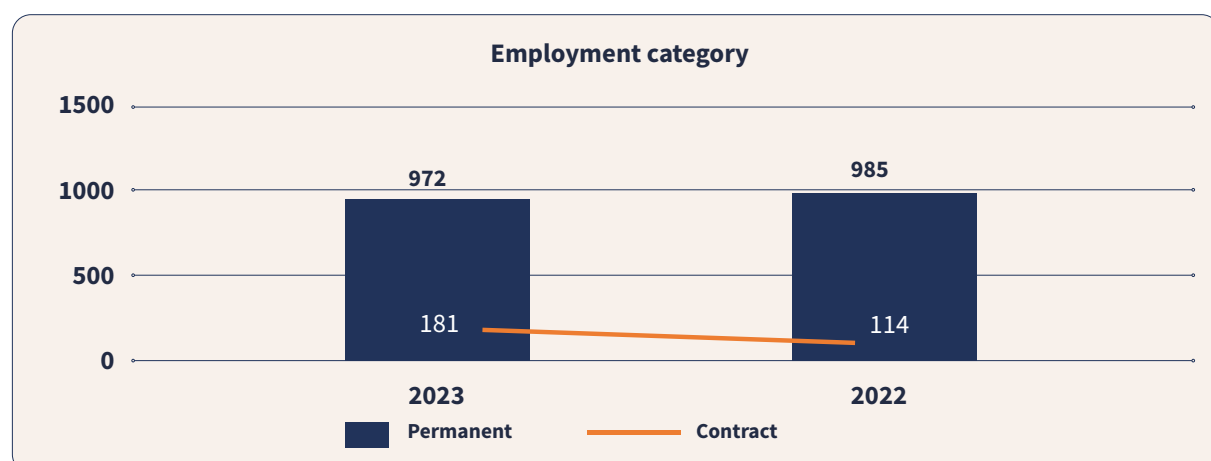
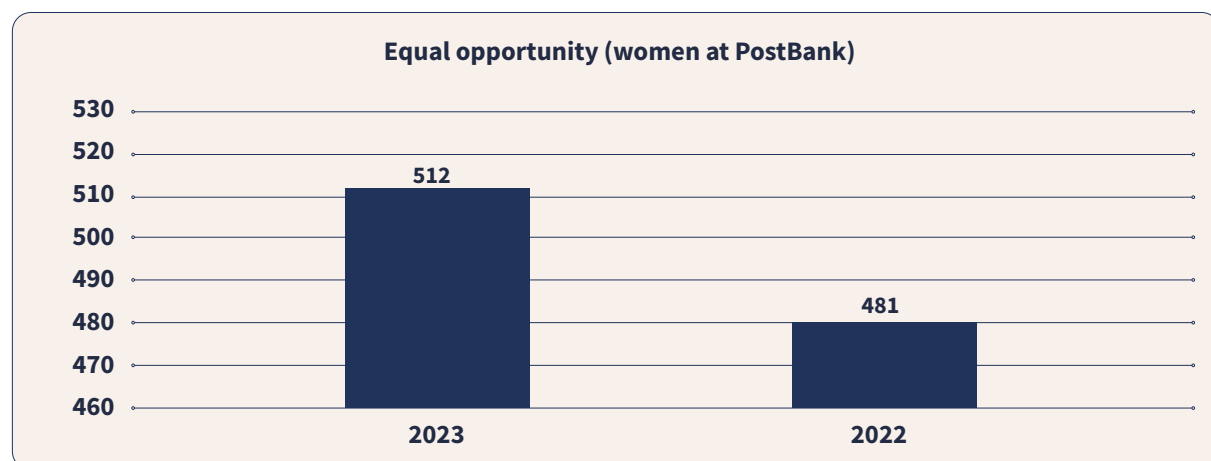
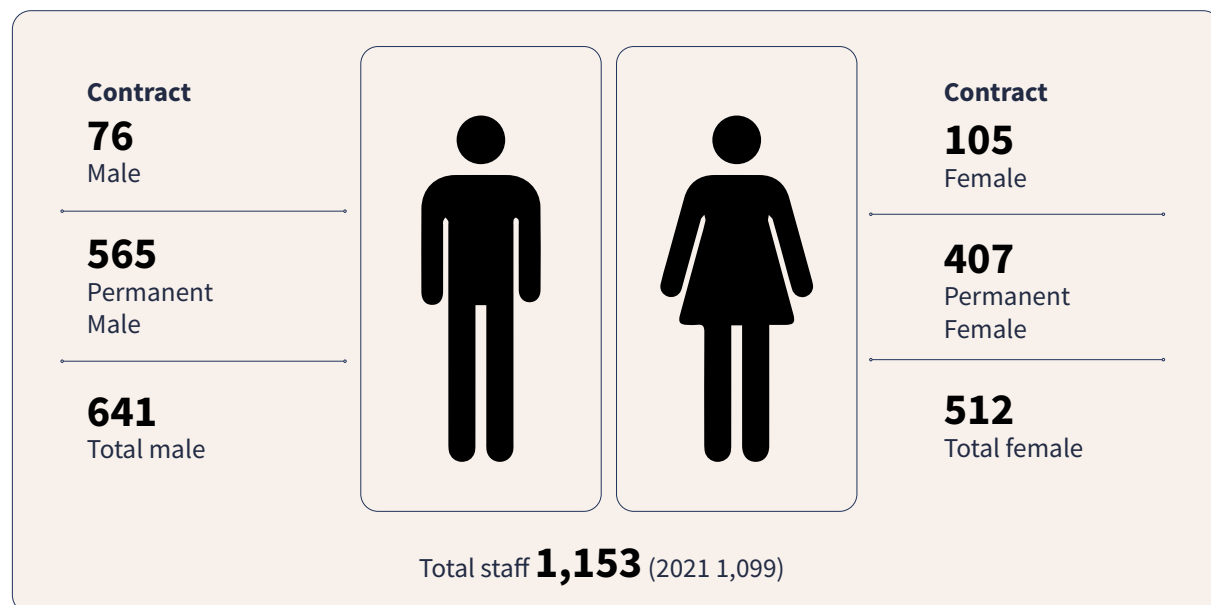
1. Attracting the Best

GRI 401 -1

Our team

At PostBank, we believe that our people are the foundation of our sustainable value creation. As of 31 December 2023, we had 972 staff members (2022: 985) and 181 contract staff (2022: 114). We welcomed a total of 211 new staff members in

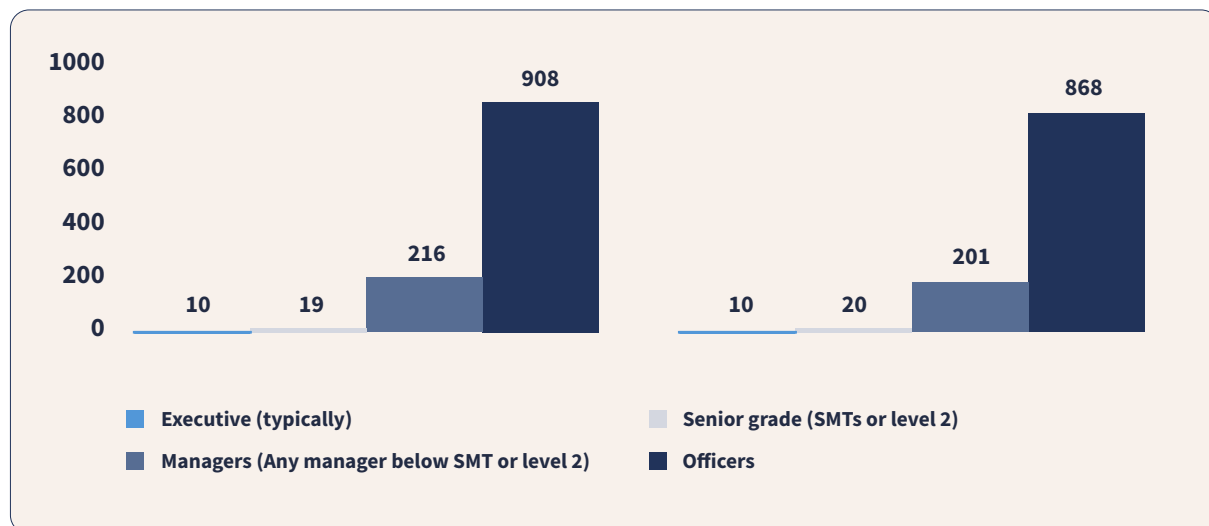
2023 (2022: 231) across the bank of which 97 were female (2022: 109). Our retention rate increased to 86% from 83% in 2022 which is a testament of our strong employee value proposition and constantly improving HR policies.



Staff grade composition

We aim to offer financial services with the goal of promoting financial inclusion and driving socio-economic transformation by strategically deploying youthful and dynamic staff (with an average age under 40, comprising 80% of our

workforce) nationwide to cater to the needs of our clients. We had 908 officers (2022: 868) who were supervised by 216 managers (2022: 201) and reported to our 10 executives (2022: 10).

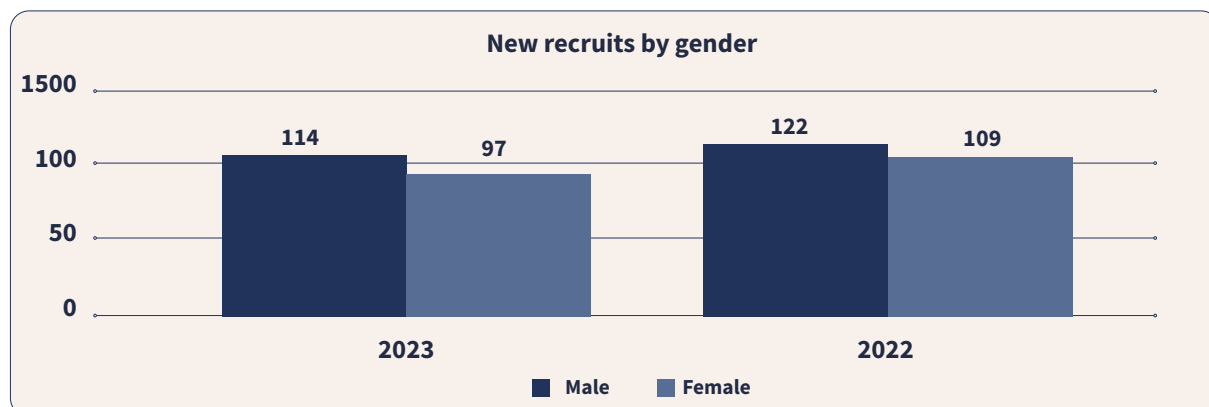
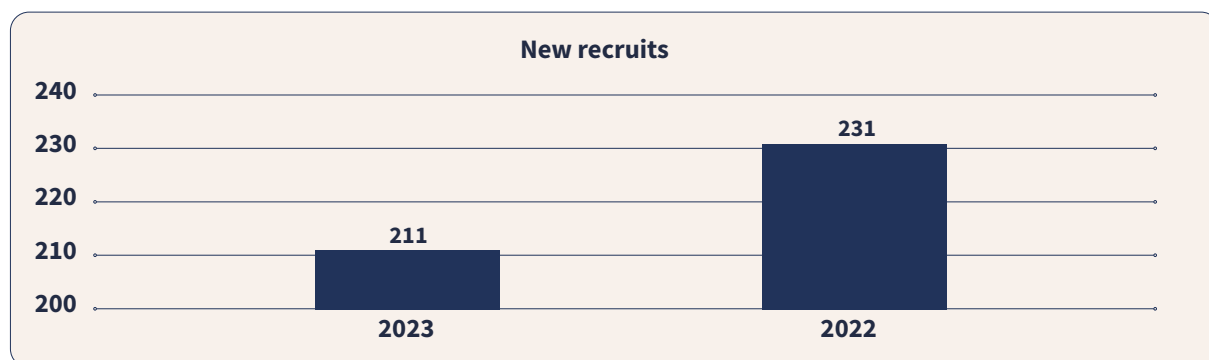


Hiring the best

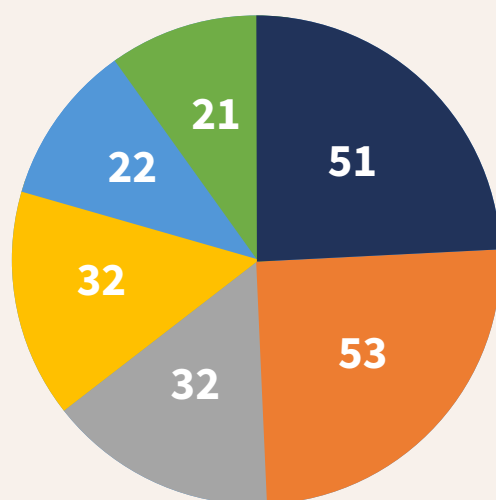
GRI 202-2, 401 -1

Our holistic approach to talent acquisition extends beyond traditional recruitment boundaries, offering an opportunity to welcome individuals aligning with our values. In our processes, we seek candidates with diverse skills

who resonate with our culture and purpose. In 2023, 211 staff (2022: 231) were hired to fill new and vacant positions. We remain committed to providing Ugandans with equal opportunities based on their education, skills, and experience.

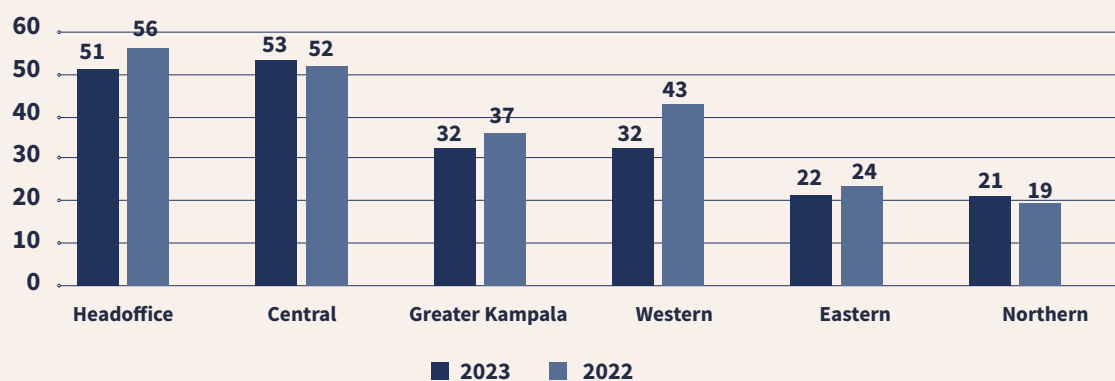


New recruits by region 2023



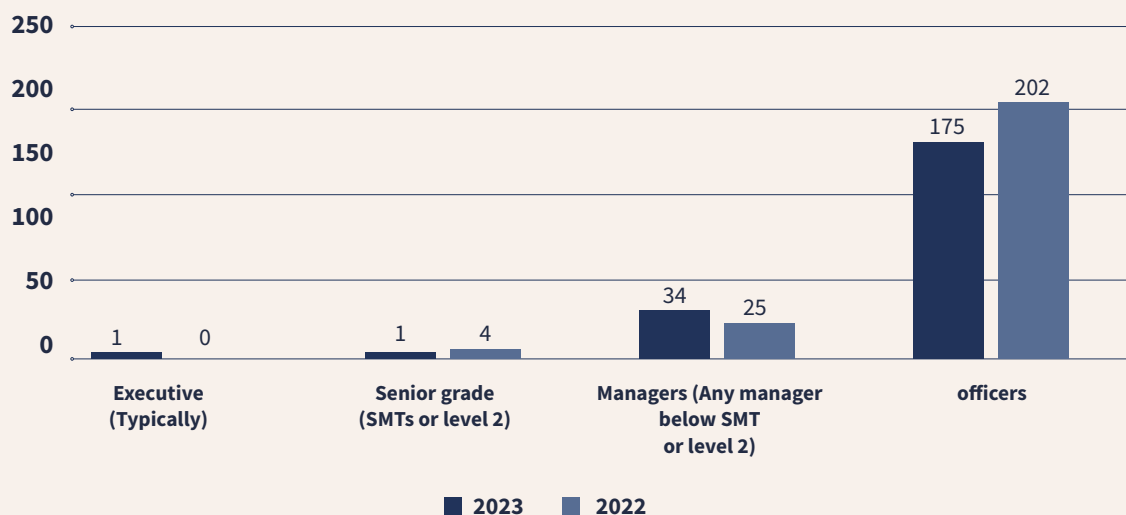
■ Headoffice ■ Central ■ Greater Kampala ■ Western ■ Eastern ■ Northern

New recruits by region



■ 2023 ■ 2022

New recruits by rank



■ 2023 ■ 2022

→ 2. Fostering a winning team

GRI 404-1 and 2

This year, we have conducted a diverse range of training programs aimed at enhancing employee capabilities. These included compliance workshops, leadership development seminars, technical skilling training in Governance, Finance, and customer service excellence courses.

76

- Trainings conducted, 12 bank wide sessions in compliance & regulatory risk.

36

- Management trainings conducted.

224

- New staff inducted including Graduate Trainees.

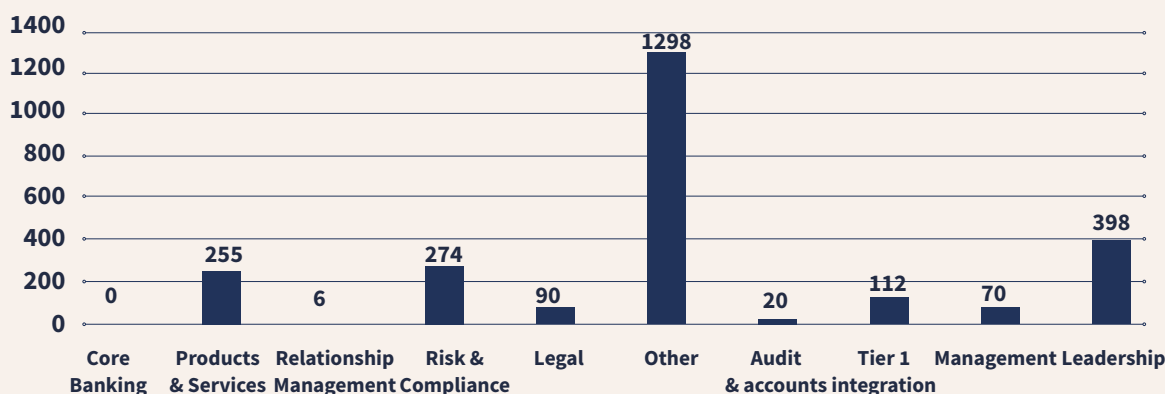
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- Leadership programs conducted.

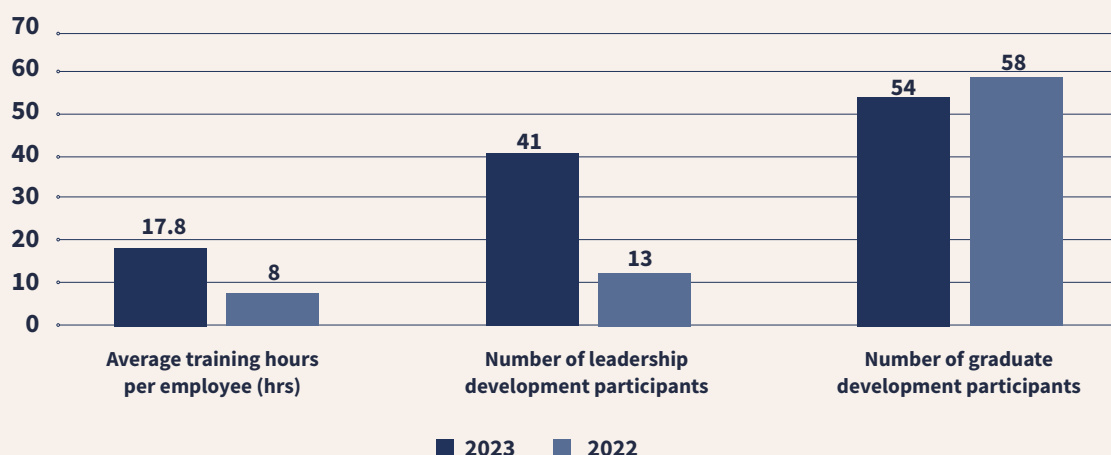
Our total training spend amounted to Ushs 1,359 Bn (2022: Ushs 862 Mn). Our training spend is closely monitored to ensure value for not only the Bank but our staff.

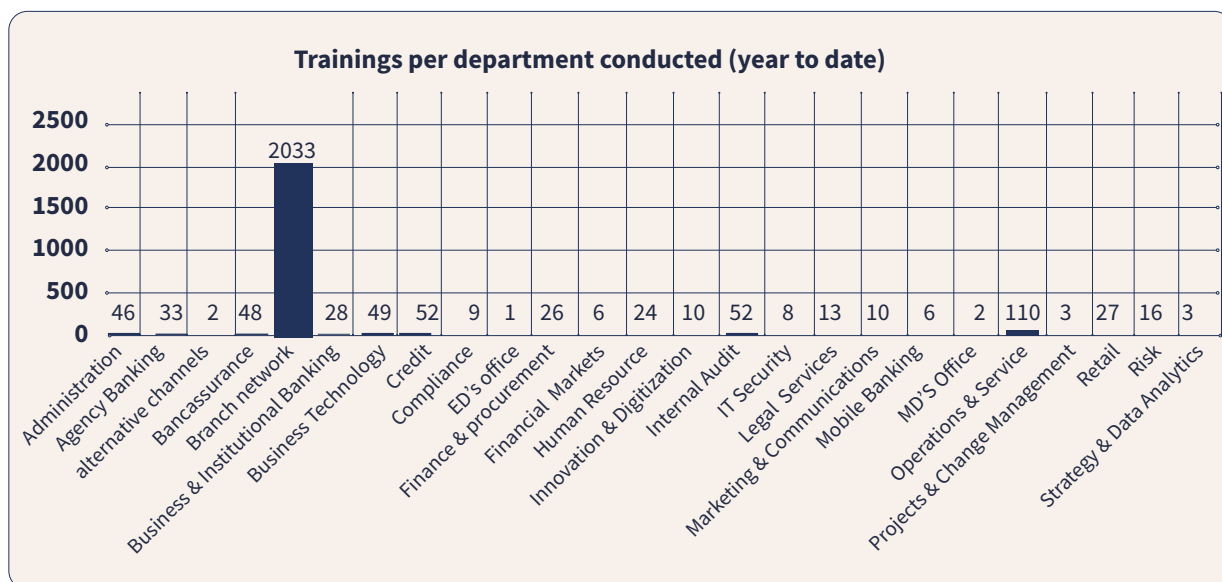
We also rolled out an E- enterprise wide learning platform-**Moodle**, to enhance blended learning across the Bank. Moodle provides a versatile and accessible platform for staff to engage in self-paced learning, offering a comprehensive repository of courses that encompass diverse topics such as banking-related subjects, business strategies, and personal development. This strategic integration of Moodle seamlessly aligns with our objective of promoting a culture of lifelong learning, empowering our workforce with the skills and knowledge needed to excel in a continuously evolving landscape.

Training hours per category



Training and development at a glance





→ 3. Managing our talent

Our commitment to talent management and development is rooted in a deeply personal approach. We believe in recognizing the unique potential inherent in everyone within PostBank. Our emphasis extends beyond traditional career trajectories; it's about understanding and nurturing the strengths, aspirations, and skills of every team member. Through personalized development plans, mentorship programs, and continuous learning opportunities, we provide the tools necessary for individuals to not only meet but exceed their professional aspirations. This personalized investment in talent is

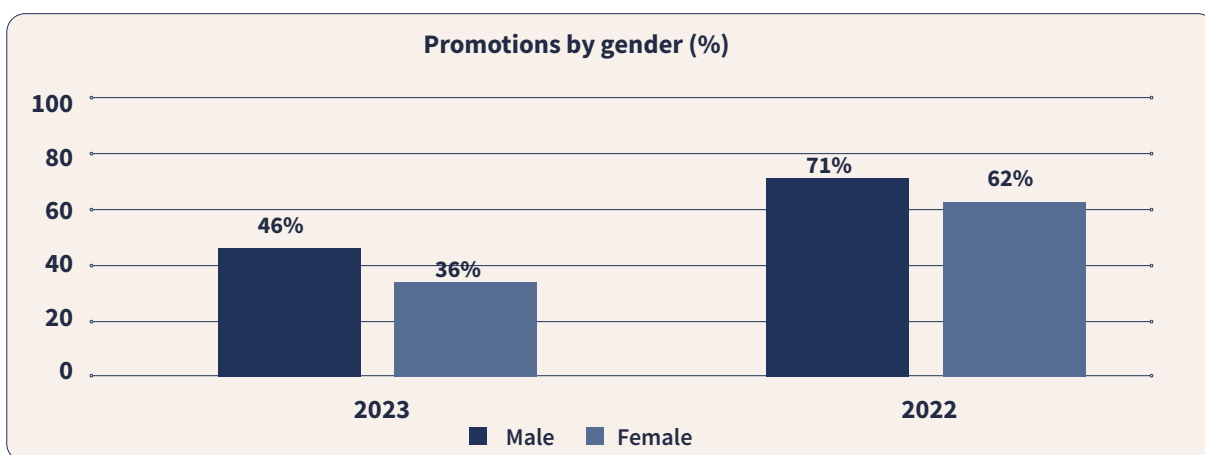
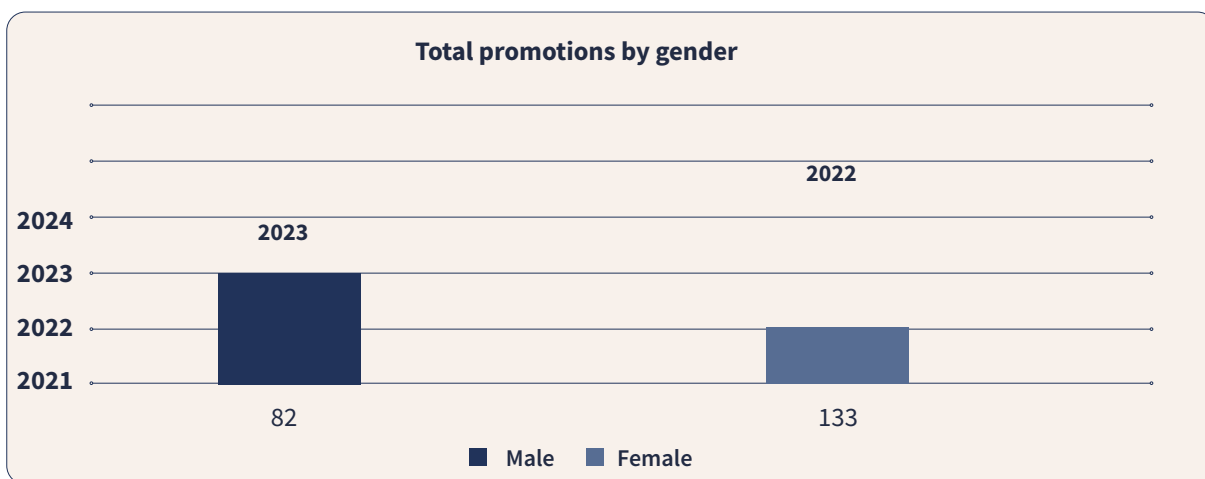
foundational to PostBank's culture, fostering a workforce that is not only skilled but motivated and fulfilled.

Effort based promotions

We prioritize career growth internal mobility and Promotions as part of our Grow Our Own Initiatives. Promotions within the bank are strictly merit based. A total 82 staff were promoted (2022: 133) during the year, from within the manager and officer staff grades.



The Legal Team



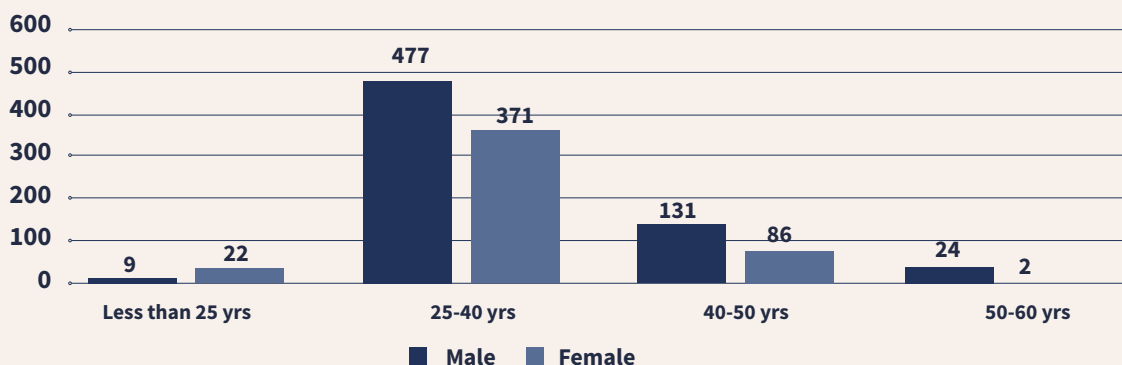
Diversity and equal opportunity

GRI 401-3, 405-1, 405 - 2

We follow a transparent, non-discriminatory policy that promotes fair and equal opportunities for all staff. Our commitment includes adherence to the following principles:

- Equal Opportunity Recruitment: We implement a fair and open recruitment process with adequate safeguards and documented hiring decisions to ensure equal opportunities for all candidates.
- Harassment-Free Workplace: We are committed to maintaining a workplace free from harassment of any kind, with strict measures taken against violators to ensure a safe and respectful environment for everyone.
- Gender Equality: We consistently ensure adequate female representation across all job categories, promoting gender equality within our workforce.
- Parental Leave: Our female and male staff members are entitled to maternity and paternity leave, supporting equal opportunities for all employees to balance work and family responsibilities.

Employment category by gender and age 2023



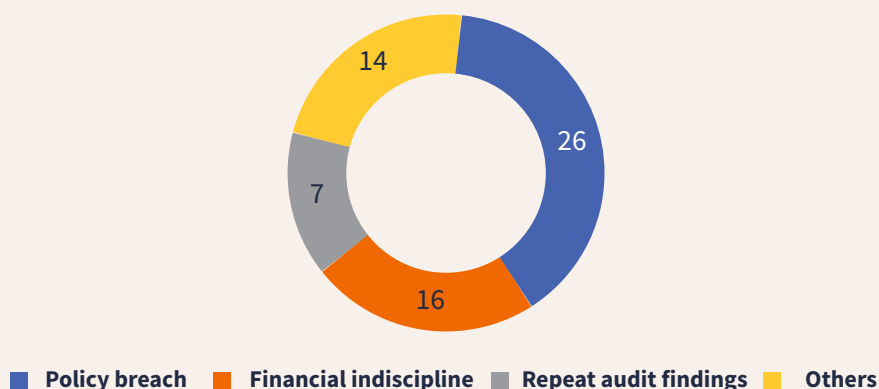
Upholding high professional and ethical standards

Our Code of Conduct sets the guiding principles expected of our staff with regards to ethics, compliance, and conduct. Our disciplinary code comprehensively outlines our consequence management framework, ensuring objectivity and fairness in our disciplinary processes. During 2023, we registered 63 cases. 41% (26), were related to policy breaches, 25% (16) financial indiscipline, 11% (7) repeat audit issues, while the remaining 21% were distributed among various themes including fraud, service inefficiency, abscondment, insubordination, forged academic documents, and negligence.

We have implemented a range of interventions to effectively manage cases within the bank. These interventions include but are not limited to:

- Enhanced training programs for staff to ensure understanding of Code of Conduct, policies and procedures.
- We are rolled out financial wellness programs aimed at reducing the temptations that arise from financial pressure among our employees.
- We implemented bank-wide staff communications to address involuntary exits resulting from the disciplinary process, with a strong emphasis on accountability. These communications ensure transparency and clarity regarding the reasons for the exits, emphasizing accountability throughout the Bank.

Disciplinary cases 2023



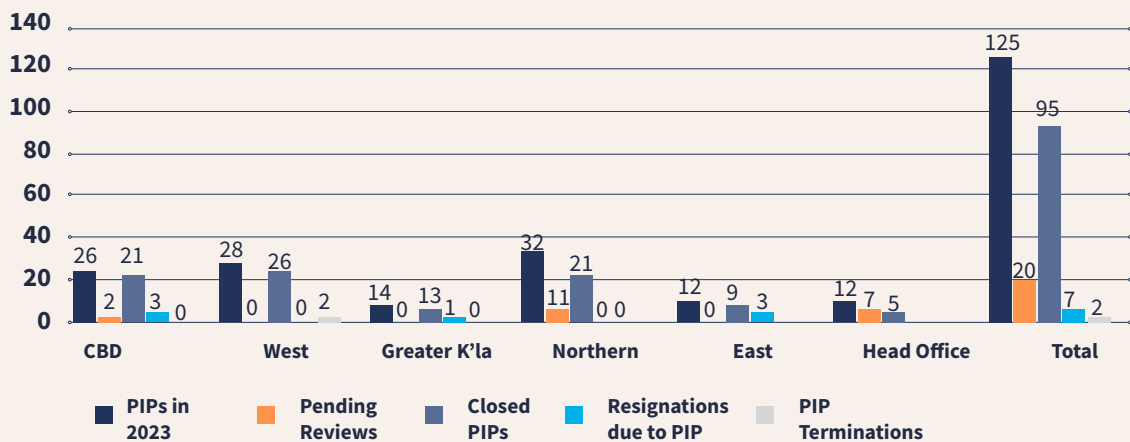
Performance management

GRI 404-3

We have instituted a flexible performance management framework designed to ensure that each staff member's performance is evaluated objectively and fairly. This framework is built on the principles of transparency and continuous real time feedback.

We rolled out bank-wide Performance Management refresher sessions to familiarize our staff with the updated guidelines and share best practices across the Bank.

PIP Status 2023

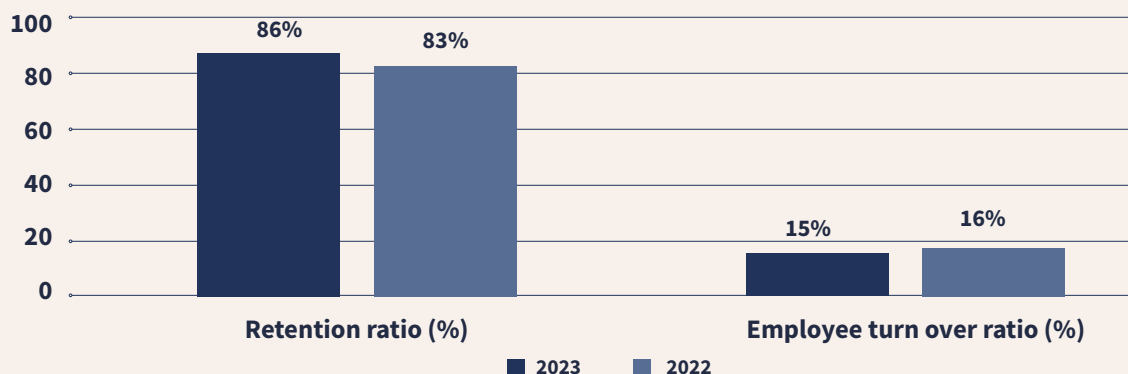


Retaining the best

GRI 401-1

Our retention ratio increased to 86% in 2023, up from 83% in 2022, demonstrating our steadfast commitment to retaining top talent. Additionally, our overall staff turnover declined to 15% from 16% in the previous year. These impressive statistics reflect our workplace philosophy, which prioritizes staff engagement and job satisfaction.

Retention and Turn over at glance



Rewards and recognition

As part of our ongoing efforts to acknowledge and celebrate exceptional contributions, we proudly recognized two outstanding staff members during our end-of-Q3 Townhall in 2023. Grace Musiimenta, who achieved a remarkable (5A) rating, and Dennis Wakibi, with a notable (4A)

rating, demonstrated outstanding performance during the Half-Year 2023 review. Their dedication and excellence serve as shining examples within our organization, and we extend our heartfelt appreciation for their valuable contributions.



Focus on holistic employees

Revised policy framework

In a proactive pursuit of alignment with the bank's strategic vision and a commitment to embodying industry best practices, we have undergone a comprehensive review and subsequent update of our policy framework. This encompassed a thorough revision of crucial documents, notably: The Human Resources Procedures Manual, The Human Resources Policy Manual, The Sexual Harassment Code, The Performance Management Guidelines, and The Occupational and Safety Guidelines. This underscores our unwavering dedication to ensuring the highest standards of operational excellence and employee well-being within PostBank.

Strengthened Operations & Analytics

Our utilization of data analytics represents more than a strategic initiative; it embodies our steadfast commitment to making informed decisions that positively impact both our workforce and the Bank as a whole. By harnessing the power of data, we gain insights across our operations, enabling us to identify trends, optimize processes, and enhance overall efficiency. This commitment extends to refining our workforce strategies, from talent deployment to performance management, ensuring decisions are informed by data-driven intelligence. Strengthening operations through analytics is not just a practice but a continuous journey toward operational excellence and adaptability in an ever-evolving business landscape.

Business Partnering Model

Our business partnering model reflects our dedication to cultivating a workplace environment characterized by personal connections, support, and individual growth. Each business partner, overseeing approximately 100-120 team members, is not just a supervisor but a mentor fostering a sense of belonging. This personalized approach prioritizes ongoing discussions about career goals and development, ensuring that each team member receives meaningful support and guidance tailored to their unique needs.

Key staff engagements

Women's Day Engagements: We celebrated the remarkable women in our midst with a special event themed 'Woman King.' In respect to the International Women's Day theme for the year, **'Digital: Innovation and technology for gender equality,'** our gathering featured engaging conversations over cocktails. This unique occasion not only paid tribute to the strength and contributions of our female colleagues but also reflected our commitment to embracing innovation and technology as catalysts for gender equality.

Wellness Activities: In honor of Health, Wellness, and Awareness Month, we curated a series of enlightening sessions encompassing consultations, blood pressure checks, BMI measurements, random blood sugar tests, HIV testing, breast cancer screenings (physical breast exams), nutritional reviews, eye/optical check-ups, and dental



checks. Our goal was to promote awareness of holistic well-being, addressing mental, physical, and emotional health. These sessions provided a platform to educate and inspire our staff, offering numerous avenues to proactively enhance their overall health and wellness.

Branch Visits: Our Human Resource Business Partners conducted a series of insightful visits across our branch networks. These visits were aimed at fostering stronger employee engagement, gaining insights into their challenges, and identifying opportunities for support and

improvement. The information gathered during these visits will guide us in aligning our strategies to enhance overall employee performance, job satisfaction, and HR visibility.

Service Cup: We had our inaugural Service Cup in November 2023. This tournament is a symbol of our dedication to exceptional service making each customer interaction a unique and memorable experience. The creativity and passion exhibited by our teams not only met but exceeded our expectations.



Fair and responsible remuneration and benefits

GRI 201-3, 202-1, 401-2, 405-2

Our fair and ethical compensation and benefits programs are integral to retaining our talent. We are dedicated to providing a competitive and equitable compensation framework that includes a comprehensive and competitive package. We ensure that every employee receives fair remuneration based on their roles and performance within the organization.

Benefit	Description
Salaries and wages	<ul style="list-style-type: none"> Competitive salary. Performance based board approved bonuses. Annual performance-based salary revisions. Contributory pension scheme.
Reimbursements	<ul style="list-style-type: none"> Refunds for subscriptions to professional bodies Scholarships.
Loan benefit	<ul style="list-style-type: none"> For housing, vehicles, consumption, and other loans.
Medical benefits	<ul style="list-style-type: none"> Medical cover for all staff and applicable family members.
Retirement benefits	<ul style="list-style-type: none"> Contributory pension scheme. Contributions to NSSF.

Outlook for 2024 and beyond

Human Resource Automation

Efficient initiatives

Our HR department identified the need for an updated HR Information System. During 2023, the specifications and capabilities were finalized for implementation in 2024.

Streamlining HR processes will be pivotal in ensuring that PostBank continues to operate with agility and efficiency. This will be beneficial in such a way that Implementing a seamless HR system is integral for PostBank's future operations, streamlining processes, and ensuring operational agility and efficiency. This will facilitate efficient workflow management by automating administrative tasks, fostering performance management and employee development, enhancing data accuracy and security, supporting strategic decision-making through data analytics, and expediting the talent acquisition and recruitment.

Implementation of the Cultural Transformation:

The successful implementation of our cultural transformation journey is a personal mission. It's about creating a workplace where every individual feels seen, heard, and valued. The full-scale implementation of our cultural transformation programs is not just a strategic initiative but a collective effort to redefine our values, behaviors, and ways of working. We aim to create an environment where every individual feels empowered to contribute their unique strengths and perspectives, fostering a culture of collaboration and adaptability.

Retail Academy: The launch of a dedicated academy for our retail banking professionals is about recognizing the unique challenges and opportunities in this sector and providing tailored support. The program will run for 12 months, and its purpose is to develop a talent pipeline for Retail sales roles and reduce TAT for filling positions in Retail Sales reducing business down time. This program will provide an opportunity for candidates passionate about retail sales.



Garage: The introduction of the Men's mentorship program, Garage represents a significant step forward in our ongoing commitment to creating an inclusive and supportive environment for every member of our team. Garage will provide a platform for open dialogue, resources, and support tailored to the specific challenges and aspirations of men in our workforce. The program is set to launch in 2024.



Short term

- Upgrade our HR Management Information System.
- Continue to lead the charge in attracting top talent by establishing ourselves as the employer of choice.
- Continue advancing towards fostering an E-learning culture.

Medium term

- Building momentum to drive our cultural transformation journey.
- Explore sustainable solutions to enhance the efficiency and effectiveness of our HR function.

Our Long term Goals

- Position ourselves as the employer of choice for individuals aspiring to pursue careers in banking.
- Create a fulfilling work environment at all our places of business.



Some of the products of our graduate trainee program making a difference in the bank

Operations and Service



Nicholas Abaho
Cohort 7
(March 2023)



Mugume Derrick
Cohort 5
(September 2022)



Habaasa Darius
Cohort 5
(September 2022)



Atuhaire Annitah
Cohort 5
(September 2022)



**Phiona
Ainembabazi**
Cohort 7
(March 2023)



Tendo Cynthia
Cohort 1
(August 2021)



Proscovia Anyango
Cohort 3
(November 2021)

Procurement

Risk

Digital Financial Services



Nagasha Sarah
Cohort 7
(March 2023)



Akatuha Racheal
Cohort 4
(April 2022)



Bashiri Zziwa
Cohort 3
(November 2021)



David Kyeyune
Cohort 3
(November 2021)



**Makwasi Phillip
Isreal**
Cohort 5
(September 2022)



Jacqueline Ssekanabi
Cohort 5
(September 2022)



**Irene Luwedde
Sejinja**
Cohort 5
(September 2022)

Distribution

Business Technology



Frank Kitenda
Wamala
Cohort 4
(April 2022)



Edith Namanya
Cohort 6
(December 2022)



Angella Mbeiza
Cohort 5
(September 2022)



Kyampeire Merenia
Cohort 5
(September 2022)



Rwothomio Joel
Cohort 1
(August 2021)



Mubiru Francis
Cohort 6
(December 2022)



Okiria Jerome
Cohort 3
(November 2021)

Business and Institutional Banking

Strategy

Communications



Linda Nyangoma
Cohort 7
(March 2023)



Juma Segujja
Cohort 1
(August 2021)



Birungi Viola
Cohort 1
(August 2021)



**Ritah
Awenkonimungu**
Cohort 8
(August 2023)



**Ainembabazi
Hewetson**
Cohort 1
(August 2021)



Nayiga Faith
Cohort 1
(August 2021)



Dorah Kahunde
Cohort 3
(November 2021)

Operations and Service



Christopher Waraga
Cohort 5
(September 2022)



Nsubuga Marvin
Cohort 7
(March 2023)



Wejuli Quentin
Cohort 7
(March 2023)



Ssuubi Stuart
Cohort 6
(December 2022)



Sitaraya Robinah Robert
Cohort 4
(April 2022)



Ariho Dison
Cohort 6
(December 2022)



Akitenge Veronica
Cohort 7
(March 2023)

Credit



Kanyunyuzi Sandra
Cohort 4
(April 2022)



Javirah Mugasha
Cohort 5
(September 2022)



Ndibalekera Jane Francis
Cohort 5
(September 2022)



Ruth Maende
Cohort 1
(August 2021)



Ndyabahika Timon
Cohort 7
(March 2023)



Uwera Doreen
Cohort 3
(November 2021)



Barigye Ian
Cohort 4
(April 2022)

Finance



Arinda Paul
Cohort 7
(March 2023)



Alfonse Oroma Opoka
Cohort 1
(August 2021)



Jamirah Namutebi
Cohort 4
(April 2022)



Lisa Namukasa
Cohort 7
(March 2023)



Nabirye Grace Theckla
Cohort 3
(November 2021)



John Kellan Tugume
Cohort 7
(March 2023)



Birunig Eva
Cohort 8
(August 2023)

Marketing

Compliance

Internal Audit

Administration

Human Resource

Financial Markets



Mwasanje James
Cohort 3
(November 2021)



Nansove Maria
Cohort 7
(March 2023)



Matovu Samson
Cohort 6
(December 2022)



Luvumu Charles
Cohort 7
(March 2023)



Martha Wabitereza
Cohort 7
(March 2023)



Elsa Mirembe
Cohort 7
(March 2023)



Nabakiibi Susan Flavia
Cohort 4
(April 2022)



Our Year in Pictures





2.



Intellectual Capital

Key elements of our Intellectual capital

Our Intellectual capital is underpinned by our combined 'know how' that encompasses our shared experiences and intellectual resources that shape our identity and the value we create for our stakeholders. 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.



Key inputs

- Investments in innovation and technology.
- Best practice governance.
- Proprietary policies, processes, and procedures.
- Agile strategy and strategy setting process.
- Strong corporate culture.



Key challenges

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

Loans that drive inclusion

Average loan size

Ushs 11.5Mn
(2022: 9.1 Mn)

Micro and small loans

Ushs 104.8
(2022: 89.9 Bn)



Key outputs

Technology outputs

Wendi subscribers

+430,000

on boarded (2022: n/a)

Payments value

Ushs 200 Bn

(2022: n/a)

Jobs created

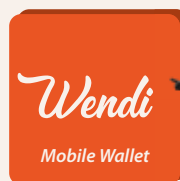
2,000

new agents
(2022: n/a)

Beneficiaries

200,000

beneficiaries
(2022: n/a)



Payments to people of concern (PCOS)

Value of payments

Ushs 101 Bn
(2022: 1.24 Bn)

PCOS Served

Ushs 1,182 Mn
(2022: 1,298)



Key opportunities

- Improved decision-making processes.
- Better stakeholder engagement.
- Digitalisation.
- Agility and innovations.



How we grow our Intellectual capital

- Building the Peoples's bank by advancing and leveraging on our know-how and technical expertise.
- Continue to be a value-centric Bank rooted in a culture that emphasizes trust, mutual respect, integrity, and creativity.
- Establish robust systems and processes to bolster technology and innovation.
- Strive to maintain tried and tested practices that enhance our governance and risk controls.

Leveraging our Intellectual capital



Financial capital

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



Manufactured capital

Improving, systems, and processes results in improved efficiencies.



Human capital

Learning and development, bolster skills, knowledge and the combined experience of our employees leading to optimum efficiency.



Social and relationship capital

Building strong reputation through values, ethics, and governance.



Natural capital

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

Connectivity with stakeholders, material matters, and short to medium-term strategic priorities

Related stakeholders



Material matters



Short to medium-term strategic priorities



Potential trade offs

- We continue to balance the trade-offs between using financial resources on maintenance or expansionary capital expenditure to upgrade physical and digital infrastructure.

Investments in reducing our carbon

- footprint will benefit natural, intellectual, human, and social and relationship capital.

Contribution to SDGs



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.

Building the Peoples's bank

Integrated thinking enables us to deliver sustainable and inclusive financial services.

Value creation and preservation seldom happen in isolation. All of the strategic decisions we commit to today are intended to have a long-lasting impact on our intellectual capital, thereby enhancing our competitive advantage. We offer affordable financial services that make it possible to widen financial inclusion for social economic development. We are the Peoples's bank and have positioned our people, skills, and competencies to deliver the financial services that the people need.

Wendi – delivering secure financial inclusion to Ugandans





Executive Director

Mr. Andrew Kabeera

Wendi

Wendi was created by PostBank as an innovative, secure, and robust Financial Application envisioned to serve customers better. This application, a collaborative effort among three government banks that include PostBank, Housing Finance, and Pride Microfinance operates as an e-money platform that strategically pivots on group savings and funds management, digital money savings, transfers, deposits, and withdrawals, to drive financial inclusion within unbanked and under banked Ugandan communities.

Wendi effectively contributes to the Government of Uganda's agenda to increase household incomes and improve the quality of life as outlined in the National

Wendi

430,000
customers

2,000
Agents

Ushs
200,000 Bn paid
200,000 PDM beneficiaries

Development Plan 3 (NDPIII) 2020/21 – 2024/25. With the support of Government and Local Government Leaders, the Bank took Wendi to PDM beneficiaries in Bukedea and Kakumiro District and subsequently across the country – and the response was overwhelming.

With this Application, PostBank is on track to deliver on its mandate of fostering full blown financial inclusion especially among the unbanked rural populace across the country by delivering funds directly to beneficiaries' phones without the need for a traditional bank account. This eliminates the cost of manual disbursements that involve spending both time and money on travel. All transactions can also be traced for accountability purposes. In our efforts to enhance transparency, we ensured that funds sent through Wendi can be traced to the last mile beneficiary.

All the challenges that were experienced before, such as PDM beneficiaries spending a significant amount of time and money traveling to the banks to pick up their funds, tracking funds' disbursements and many payouts being mired in lack of accountability, no access to financial institutions in rural areas, managing money for both individuals and SACCOs and the /robbery incidents reported by beneficiaries, are no more.

Wendi has helped to ensure that the funds needed to entrench Government programs reach their intended beneficiaries seamlessly, securely, and efficiently. Since its launch in November 2023, Wendi has onboarded more than 430,000 subscribers and over 2,000 agents countrywide. These agents are complemented by the numerous touchpoints of our partners; MTN Uganda and Airtel Uganda, who have over 250,000 agents countrywide.

Wendi is also supported by the extensive network of the three participating banks. We have seamlessly paid out over Ushs 200 Billion to over 200,000 PDM beneficiaries through Wendi.

PostBank has held various financial literacy sessions across the country to educate the last mile beneficiary about the use and benefits of both PDM and the Wendi wallet. Wendi is also helping to bridge the country's job deficit through its expanding agency network.

The Bank will continue to invest in and implement consumer education initiatives and is committed to transforming lives and livelihoods, by being a market leader in financial inclusion.



➔ Wendi – bringing all Ugandan households into the money economy.

- We know that delivering financial services to the unbanked is a costly business. We are focused on re-imagining the customer journeys so that banking is embedded in the lives of all Ugandans. When banking is accessible to people of all walks of life, it is virtually life changing.

Creating market places



- Whether it is school fees collection, purchase of goods, online shopping & lending we provide a secure marketplace for your needs as a customer.

Simplifying e-payments



- We partnered with several utility and collection agents so that our customers can meet their payment obligations without interrupting their daily routines.

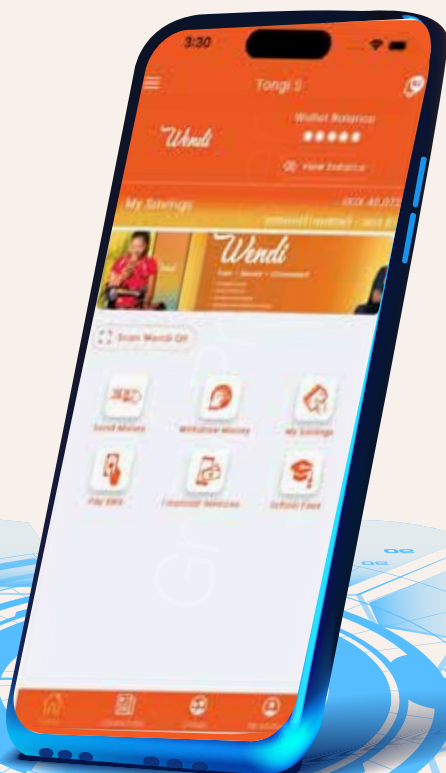


SACCO management



- Part of a savings group? Wendi's simple and agile nature provides sacco leadership with a convenient and accountable way to secure, collect & disburse members' funds transparently.





Building ecosystem partnerships



- To bring accessible banking to your doorstep wherever you are, we forged a number of partnerships in both the consumer and public sector space.
- Championing affordable interoperability and seamless access to your money.



- Bringing all Ugandans into the money economy is a bold but necessary step in our National development as a country.



- We are specifically proud to partner with the Government of Uganda in poverty alleviation through the financial inclusion pillar of the Parish Development Model program. See page 169 on our impact.

Dial *229# or scan →
QR code to download
WendiApp
#WendiWonaWooli



Wendi – delivering secure financial inclusion

Wendi is a Mobile Money service by PostBank designed to offer inclusive, affordable, fast, secure, and reliable financial services to the last mile customer.

Our technology - Wendi



FC



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Our strategic objectives

- Mass customer and market share acquisition.
- Ecosystem development and financial inclusion.
- Growth in product development.
- Enhance Wendi brand awareness.

Our key investments

- National Payment Systems license.
- Investment in business technology and IT security Ushs 7.3 Billion.
- 380 smart phones to streamline and guarantee payments by SACCO leaders.
- Paid Ushs 655 M to Telcos for PDM beneficiaries to access their Wendi wallet accounts for free.
- Spent Ushs 2.6bn in marketing and business development costs to drive awareness of Wendi in the first year of operations.

Partnership in progress for FY 2024

- Umbrella investment funds.
- Payment service providers.
- Telecommunications companies.
- Financial institutions.
- International money transfer companies.
- Parastatals.
- Business seeking payment service providers.
- Savings and investment schemes.

Our performance targets

- Number of walk-in customers at branches signed onto Wendi.
- Identify, train, activate and monitor 20,000 agents of which at least 40% will be either women or youth.
- Onboard at least 50,000 new customers, targeting at least 50% who are either women or youth by FY 25.
- Grow deposits and customer base
Grow usage and awareness of our digital solutions.

The challenges we face

- Heavy financial outlay.
- High cost of rolling an agent network and distribution system.
- Building systems and processes from scratch.
- Attracting suitable talent to be able to execute our strategy.

Measuring performance

- Overall new customer acquisition targets for 2023 achieved.
- Achieved year one agent acquisition targets.
- Achieved year one new customer targets.
- Grew deposits and customer base.
- Achieved digital solution user targets.

Looking ahead

Our strategic aims in the short, medium, and long term are:

- Providing the highest levels of security, efficiency, and convenience.
- Invest in and implement consumer education initiatives to bridge knowledge and user experience gap amongst intended beneficiaries.
- Become the market leader in financial inclusion by supporting Governments initiatives aimed at increasing household income.
- Roll out digital agent management tool that will improve efficiency in agent management.

Societal impact

- 430,000 new subscribers onboarded.
- Government mass payments of PDM - Ushs. 200 paid and 200,000 PDM beneficiaries served.
- 2,000 Wendi agents provided with income generating opportunity.
- Facilitated free access to the Wendi platform by paying for charges that would have instead been borne by PDM beneficiaries.

Our 'know how'

Over the years, we have developed knowledge, processes, policies, and procedures that we have cultivated to deliver services to our customers in a way that only we can. We continue to be intentional about supporting our Government in achieving its agenda. To this end, we have benchmarked service delivery against the five objectives of the National Financial Inclusion strategy 2023 – 2028.

Financial inclusion

How the Peoples's bank has responded

We understand that tackling financial exclusion and access to formal financial services requires a client-centric approach. In this regards we have:

Objective 1:

Reduce financial exclusion and access to formal financial services.

- Addressed limited access points in rural areas by deliberately opening up new branch's in hard-to-reach areas.
- Continue to maintain our Investment in mobile vans to ensure that we can reach the farthest and most neglected parts of our country.
- Prioritized digital financial services delivery channels through Wendi our new mobile money-based payments solution to cover the gap left by the current Agency banking bottle necks. In this regard we have invested Ushs 6.5 Bn in Wendi.
- Partnered with MTN to provide smartphones that make it possible to access digital financial services, especially for Parish Development Model related disbursements. 380 smart phones were purchased.

Objective 2:

Deepen and broaden the usage of quality and affordable formal financial products.

- We scrapped intermediary charges to address existing and potential client perception that digital financial services are costly and paid over Ushs 600 Mn to make it possible for Wendi subscribers to access their wallets free of charge.
- Wendi provides potential clients with irregular incomes with an alternative to a traditional bank account where factors like KYC requirements act as a barrier.
- Introduced effective micro insurance products to bolster poor distribution of insurance networks in rural networks. This is especially vital for our agricultural clients that need access to agricultural insurance products.
- We have invested over Ushs 7.3 Bn in strengthening our cyber and data security to safeguard and improve trust in formal financial services.

Objective 3: Strengthen financial consumer protection and financial literacy	<ul style="list-style-type: none"> ➤ We have focused on enhancing our customer experience by continuously improving responsiveness to customer complaints and concerns to improve existing and potential customers confidence in formal financial services. See page 206 in our section on Social and Relationship Capital for more details. ➤ We provide simple to understand service offerings that appeal to the real needs of our customers in a manner that builds confidence and trust.
Objective 4: Develop an inclusive green finance market	<ul style="list-style-type: none"> ➤ We have rolled out public awareness campaigns aimed at enhancing the increase of green financing among the public. As a result, Ushs 497 Mn was disbursed under our green products portfolio. ➤ PostBank continues to invest in better data quality by implementing cutting edge analytical tools that will improve overall green data availability and quality that will ultimately reduce the cost of gathering data for green products reporting and monitoring.
Objective 5: Promote gender-inclusive finance	<ul style="list-style-type: none"> ➤ Our account opening process is not gender biased and encourages both men and women to access our services. ➤ Our focus on financial inclusion in rural areas through our country wide branch network, our payments solution Wendi and our mobile vans collectively provide even more women the opportunity to be financially included.

Building our brand image

We understand who we are serving and why we continue to serve them. Our advertising methods are biased towards MSMEs, the everyday Ugandan ‘muntu wa wansi’ and smallholder farmers, collectively ‘the people’. Our mass media, social media, web-based platforms, and billboards across Uganda are intentionally crafted to provide the best reach and visibility for our brand.

2. The value centric bank

We adhere to a robust set of values, encompassing trust, mutual respect, integrity, and creativity. These values, honed over time, serve as the bedrock for our decisions and actions. Integrity serves as the guiding principle in all our dealings with stakeholders and is considered a social responsibility.

The Board is entrusted with maintaining ethical behavior, and the Bank has implemented

policies and processes to ensure employees adhere to these established standards. The Board further places great emphasis on the strategic significance of risk management and compliance and strives to cultivate a culture that is cognizant of risk.

All staff members are expected to exhibit ethical conduct in all their transactions, and we consistently review our internal standards, codes, control mechanisms, and regulatory and compliance requirements to ensure alignment with best practices and regulatory authority stipulations.

3. Robust systems and processes

Leveraging technology and innovation

Technology and innovation are essential to attaining our futuristic intellectual capital and determine how we will continue to deliver sustained value to our stakeholders. Our Change and Project Management Office (CPMO) leads

these initiatives with the oversight of our board. The CPMO ensures that the technology and intangible infrastructure projects meet our current and future demands.

Technology based projects

Our ability to generate long term and sustainable value is strongly hinged on our ability to continuously innovate and introduce cutting edge technology. During the year, we have pursued several projects aimed at enhancing our digital capabilities and improving systems, processes, and data security.

The successful implementation of the Wendi E-wallet project played a pivotal role in steering the Bank toward its strategic goals.

The launch of the Centralized Account Opening solution enabled customers to open accounts from anywhere in the world.

The SWIFT Direct Integration project has significantly improved user experience through better transaction processing turnaround times.

During the year, we launched a critical project to enhance our data security through the implementation of a new Data Loss Prevention (DLP) system that is expected to bolster overall digital security.

4. Best practice governance and risk management

Our approach to governance and risk management forms part of our intellectual capital and supports our overall value-creation process. We continuously strive for optimal governance practices aimed at maintaining and safeguarding the creation and preservation of value.

Our relentless pursuit of sustainable value creation cultivates and preserves the trust of our stakeholders. This objective necessitates the integration of governance as a fundamental component of our business strategy. Our governance frameworks and procedures are crafted to institute robust controls and foster ethical leadership. Our commitment to sound governance is evident in our internal policies and procedures which mandate the adherence to good governance in their operations.

For further information on how we create and preserve value through our governance processes, please refer to pages 30 to 51, and pages 134 to 153 of the Human Capital section. We adopt a proactive approach towards risk management, addressing both existing and potential risks. The Board also approved our Integrated Risk Management Framework.

Wendi launch in Kampala



On 1st November, we officially launched the “Wendi” mobile wallet, to promote financial inclusion with its “Wona Wooli” campaign. Dr. Micheal Atingi-Ego, Deputy Governor at Bank of Uganda, lauded the innovation, emphasizing financial inclusion goals. Wendi aims to reach the unbanked with convenience, accessible through the mobile App and USSD code. Mr. Julius Kakeeto, our CEO, hailed Wendi as a financial lifeline, offering various services. Mr. Andrew Kabeera, our ED, highlighted Wendi’s secure technology and partnerships for a seamless experience.

Wendi launch in Kakumiro



Together with Airtel Money Commerce Uganda, in collaboration with Housing Finance Bank and Pride microfinance, we announced our partnership to support the seamless disbursement of PDM funds by government through Wendi. Wendi is a digital payment platform powered by PostBank that pivots on group savings and funds management, digital money savings, transfers, deposits and withdrawals, to drive financial inclusion within unbanked Ugandan communities.

Wendi launch in Bukedea



PostBank successfully distributed 213 smartphones across Ngora, Bukedea, and Kumi districts as part of our ongoing initiative through our mobile wallet “Wendi” to support SACCO executives in the efficient disbursement of PDM funds. This initiative, led by the PostBank Bukedea Branch Manager, Annet Amongin, and the Regional Coordinator for PDM in the Eastern region, Herbert Baliyo, showcases our commitment to empowering economic growth and fostering financial inclusion within our communities and Uganda at large.


PostBank


We were struggling with how to disburse the PDM funds until PostBank introduced Wendi. When I went out for budget consultations, I visited West Nile, Lango, and Acholi for the same purpose. Everywhere I went, all I heard was "Wendi, Wendi." Local Council Chairpersons (LC5s) from different regions were asking why the government doesn't allow them to use Wendi exclusively, as it is the most efficient system. I encourage you to continue being innovative and stay ahead.

Hon. Evelyn Anite

State Minister of Finance for
Investment and Privatization

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 shillings.

/ **GrowProsper**



Change and Project Management Team

- ➔ Strategic projects delivered this year.
- ➔ Our continuous improvement journey.



2. Strategic projects delivered this year

In 2023, the Change and Project Management Office (CPMO) and PostBank at large experienced a year marked by transformative leaps. Sound project management practices and execution have enabled us to thoughtfully respond to change, effectively and proactively address risks, and successfully deliver a number of significant projects.



The successful implementation of the Wendi E-wallet project played a pivotal role in steering the Bank toward its strategic goals, reinforcing our commitment as a Bank to offer affordable and sustainable financial services that drive financial inclusion for social-economic development.



Another significant milestone was the launch of the Centralized Account Opening solution, enabling customers to open accounts from anywhere in the world. This not only enhanced customer experience but also reduced the lead time for accounts opened at the branches to less than five (5) minutes. Over 10,000 customer accounts have been opened so far with this solution.



Other key highlights include the Airtel Escrow Account Integration, resulting in deposits exceeding Ushs 116 billion, and the SWIFT Direct Integration which has gone a long way in improving user experience leading to better TAT on transaction processing and saving us significant annual maintenance costs.

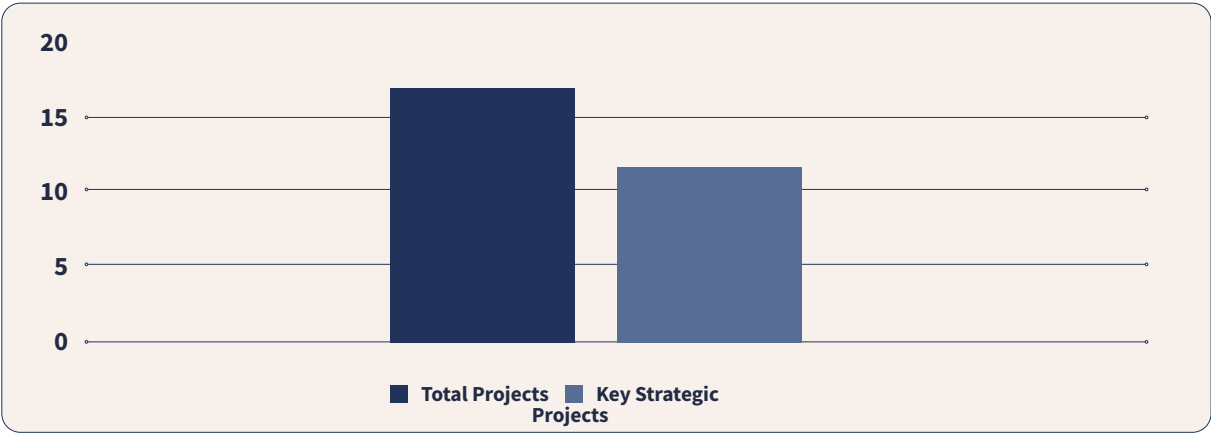
Kaizen – our continuous improvement journey'



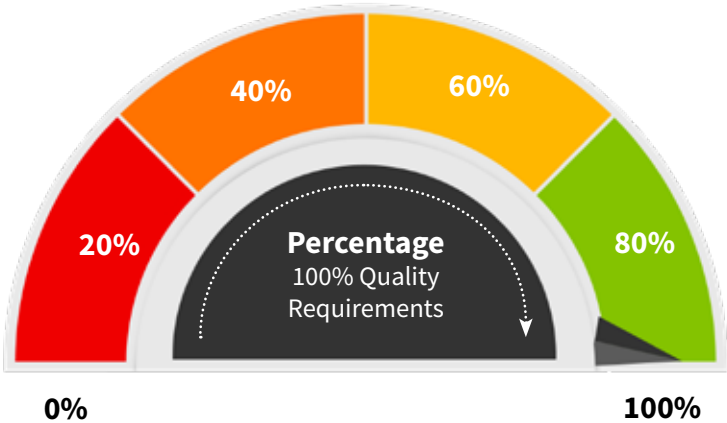
The entire CPMO achieved the PMI Disciplined Agile certification, complementing their existing PMP certifications. This certification milestone has elevated the team to a fully certified cohort of Project Managers, proudly affiliated with the Project Management Institute and the corresponding Uganda Chapter.

Overview of key projects managed

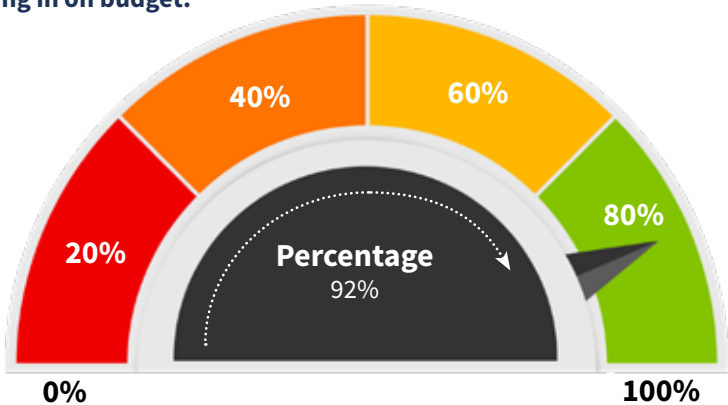
Delivered projects meeting their quality requirements



Delivered projects meeting their target completion date



Delivered projects coming in on budget:



Key focus areas for 2024 and beyond:

- ❖ **Digital and Technology Integration:** Embracing and leveraging emerging technologies to enhance project management processes and outcomes through adopting and implementing emerging technologies such as artificial intelligence, cloud-based solutions, and automation to streamline project workflows.
- ❖ **Hybrid Project Management Adoption:** Enhancing project delivery by embracing hybrid project management methodologies through developing a framework that allows for a hybrid approach, combining traditional project management with agile principles as needed.
- ❖ **Risk Management and Resilience Planning:** Enhancing CPMO's capability to identify, assess, and mitigate project risks, ensuring organizational resilience through fostering a culture of proactive risk identification and response planning within project teams.
- ❖ **Knowledge Management and Documentation:** Fostering knowledge sharing and documentation practices to capture lessons learned and improve project efficiency through facilitating the creation of a comprehensive project knowledge base for future reference and training purposes.

3. Enhancing our operational processes

Our appreciation of the global shift towards digitation and setting ourselves up to deliver on our commitment to include the financially excluded, we have ensured that our physical and digital infrastructure work together to deliver exceptional customer experiences. We continually upgrade our systems and processes to stay ahead of the curve and respond to changing customer needs. The following are our initiatives in this regard:

❖ Enhancing digital security

Cyber security monitoring
Threat hunting and intelligence
Effective incidence management.

❖ Customer first

Proactive relationship management
Improved complaints handling
capabilities customer centric staff
KPI's.

❖ Process improvements

Improved workflows through
automation
Integrated back-office
operations.

❖ One bank, one branch

Decentralized approach
One bank staff KPI's
Our customers are for the bank and
not a particular branch.



Outlook for 2024 and beyond

Short term

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

Medium term

- ❖ Continue to expand distribution network to at least 70 branches countrywide.
- ❖ Enhance our digital banking solutions.

Long term

- ❖ Become an efficient data driven 'Peoples' bank'.



➔ Awards and Accolades

As we strive for banking excellence and aim to meet the expectations of our customers, we have received numerous awards and accolades. We view these achievements as a distinct affirmation of our success as a bank, serving as motivation to persist in our journey and enhance the bank even further.



➔ Outlook for 2024 and beyond

- PostBank was awarded third best overall integrated report at the financial reporting awards of 2023.

- Our Chief Financial Officer received the runners up award for CFO of the year from ACCA Uganda.

- Best People focused CEO/MD HR Reveal Awards 2023



- Sustainability Standards and Certification Initiative _SSCI European Organization for Sustainable Development (EOSD)



- Best User Friendly Banking Application World Business Outlook 2023



- Banking Innovation Excellence "Wendi" Digital Impact Awards 2023



- Best Visionary Government Performing Bank of The Year 11th Visionaries of Uganda Awards 2023



Short term

- Enhance our brand equity.
- Improve interface between bank systems for faster processing and turnaround times.
- Leverage on our widening distribution network to allow our customers to carry out transactions more conveniently country wide.

Medium term

- Build an innovation driven culture.
- Bolster operational excellence through digital transformation.

Long term

- Foster prosperity for Uganda.

3.



Manufactured Capital

Key elements of our manufactured capital

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



Key inputs

- Property and equipment
- Right of use assets
- Intangible assets
- Virtual touch points and digital channels
- Digital infrastructure



Key challenges

- New and existing customers' resistance to change due to the inherent mistrust in digital solutions.
- Protracted public procurement processes.
- The cost of Information System Security maintenance.
- Evolving customer requirements.
- Financial capital investments against competing interests.



Key outputs

Customer touch points

Number of branches

60
(2022: 58)

Mobile vans

14
(2022: 14)

Number of agents

1,545
Wendi agents
1,127
(2022: 525)

Number of ATM's

60
(2022: 59)

Number of Internet Banking customers

42,237
(2022: 34,277)

Number of ATM recyclers

51
(2022: 51)

Fixed and tangible assets

Net book value of fixed assets

Ushs 63.7 Bn
(2022: Ushs 54.2 Bn)

Net book value of intangible assets

Ushs 19.2 Bn
(2022: Ushs 12.6 Bn)



Key opportunities

- Contribute towards solving financial inclusion by providing additional channels to our potential customers.
- Enhance digital capabilities for sustainable value creation.
- Continue to provide responsive solutions to PostBank's changing needs.



How we grow our manufactured capital

- Extending our country wide reach and presence.
- Transformative momentum with a focus on improving our customer experience through efficiencies.
- Enhancing our operational processes through the integration of our physical and digital infrastructure.

Leveraging our manufactured capital



Financial capital

Increased efficiency reduces overall costs.



Human capital

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



Intellectual capital

Branch expansions promote brand visibility.



Social and relationship capital

Digital infrastructure promotes strong links with customers and suppliers.



Natural capital

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

Connectivity with stakeholders, material matters, and short to medium-term strategic priorities

Related stakeholders



Material matters



Short to medium-term strategic priorities



Potential trade offs

- Allocating significant amounts of financial capital is necessary when investing in manufactured capital. Decisions must be made regarding the utilization of financial resources, weighing the options between allocating funds for maintenance expenses or directing them towards capital expenditures to enhance physical and digital infrastructure.
- While enhancing manufactured capital, there is a risk of causing environmental damage and adversely impacting our communities, leading to the degradation of natural capital. We are committed to incorporating responsible waste management principles and environmental protection measures to mitigate these effects.
- The ways in which we undertake to minimize the environmental impact of existing physical infrastructure will benefit our natural, intellectual, human, and social and relationship capital.



Contribution to SDGs



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



Transform our products and services through investments in physical infrastructure.



Harness solar energy for branch energy needs.



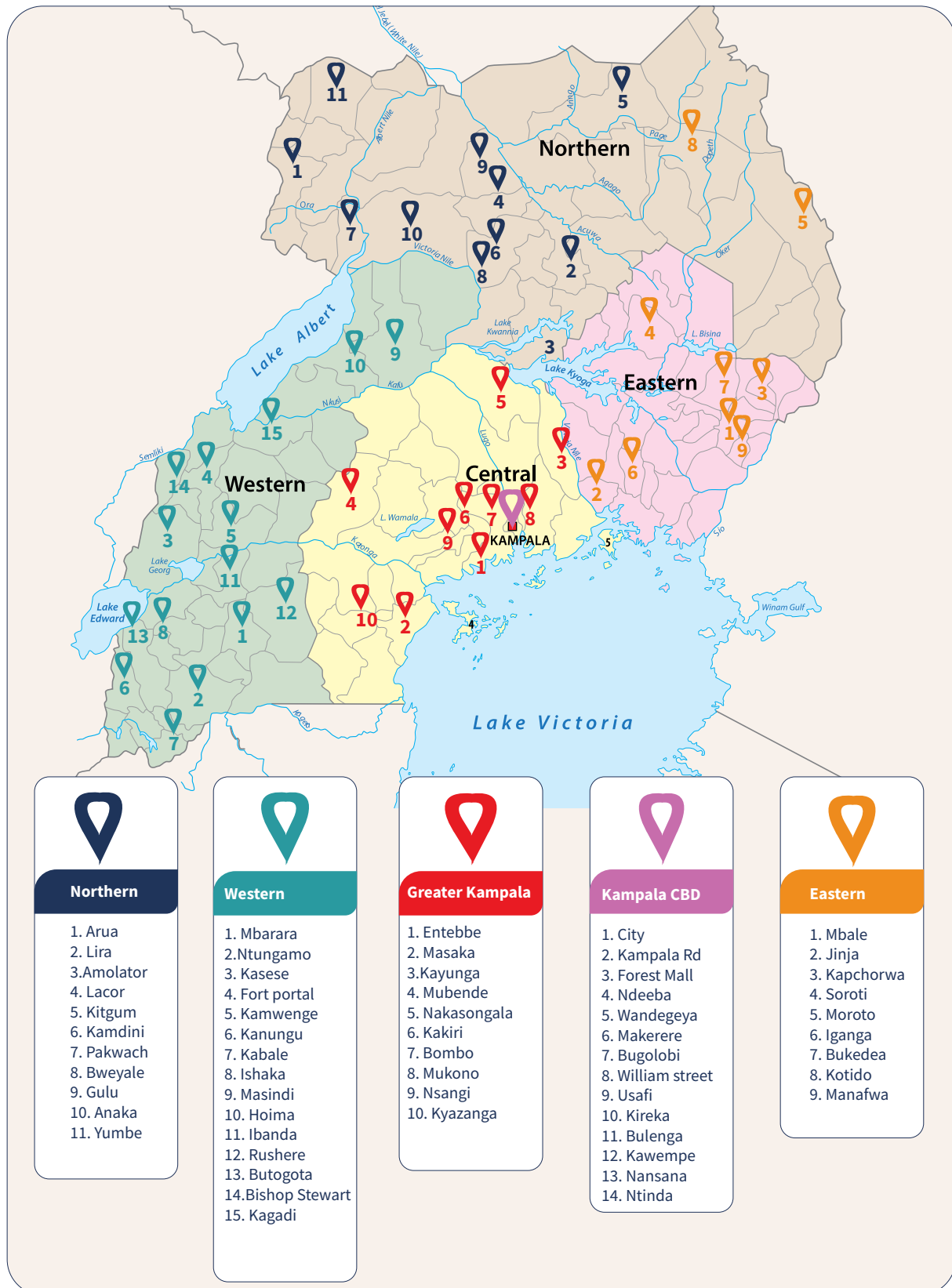
Digital banking reduces our consumption of paper.

1. Extending our country wide reach and presence

GRI 202-2

We continue to extend our coverage of Uganda through our branch network. We believe that financial inclusion can only be achieved by providing products and services closer to the financially excluded.

Our footprint includes 60 branches, 14 mobile banking vans 'branch on wheels' 1,545 agents, 1,127 Wendi agents and 60 Automatic Teller Machines. We have a branch in at least 42 districts across Uganda.



Country wide network- Peoples's bank

Branches ensure that we deliver physical touch points for customers, providing a visible and tangible manifestation of 'the Peoples's bank'. Despite the significant upsurge of digital technologies, numerous clients especially the financially excluded, still prefer physical banking interactions.

'Captivating branch' concept

We set out to bring our Branch network to 60 branches and standardize our existing branches by either renovating or relocating them. We focused our efforts on:

- ❖ Branch visibility.
- ❖ Proper accessibility to the premises.
- ❖ Floor space with due consideration of business growth.

We created captivating branches by:

- ❖ Enhancing internal and external branch look to align with our brand ethos.
- ❖ Modified banking tills from standing to sitting tills for both staff and client comfort.
- ❖ Created customer meeting rooms for private client engagements.

S/n	Branch/location	Region	Bringing our banking services closer to our people
1.	Ntinda	Central	Wakiso and Kampala contribute to over 75% of Uganda's GDP. We serve SMEs and broaden financial inclusion in these areas. The Ntinda Branch is yet to be opened to the general public, pending regulatory clearance.
2	Manafwa branch.	Central	100% completed and opened to the general public.





Revamped and New Branches

Manafwa Branch





Revamped and New Branches

Ntinda Branch



Ishaka Branch



Bulenga Branch





Renovation Branch Works

Bombo Branch



Before



After

Amolatar Branch



Before



After

Kakiri Branch

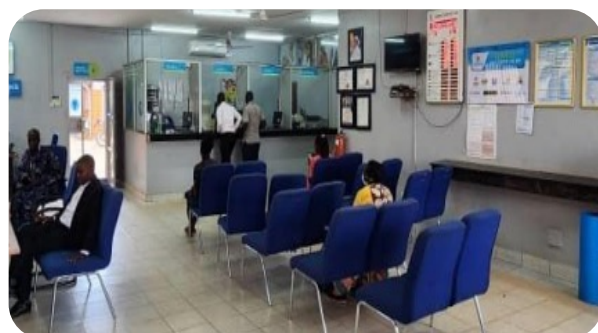


Before



After

Hoima Branch



Before



After

Arua Branch



Before



After



Archives and Storage Warehouse Construction

Works almost done

Daniel Kisukiro - Facilities Supervisor

Phase I Complete, Phase II Works at 65% Completion



Wendi/Digital Financial Services office setup



Wendi/Digital Financial Services office setup (continued)



Tribute To Herbert



A man so passionate about his job, team player, hardworking, and results oriented, not forgetting his smart and brilliant ideas when it comes to task execution.

Under his leadership as the Head of Administration, he delivered:

- 10 new branches
- 35 renovated branches
- 1 new business office and
- 7 branch relocations

His contribution to the new branch look and ambiance endeared him to many stakeholders in our value creation journey.

We shall forever miss and hold on to the memories and your contributions towards PostBank.

RIP.

“ Herbert Niwagaba, the brains behind PostBank’s new look ”





The Commercial Value We Deliver



1. Our Financial Capital

2. Our CFO's review

3. Financial Highlights



Finance and Procurement Team

1.



Financial Capital

Key elements of our financial capital

At PostBank, financial capital refers to our “capital” or “equity”, that includes economic resources such as credit and various other types of financing. These resources are the foundation upon which we accumulate wealth and generates value for our stakeholders.



Key inputs

- Cash and cash equivalents.
- Deposits from customers.
- Share capital and reserves.
- Long- and short-term borrowings.



Key challenges

- Raising capital to meet BASEL II minimum capital requirements.
- High tradeoffs between income generated from lending and lucrative Government Paper.
- Increased competition for MSMEs among commercial banks.
- Exposure to effects of economic trends such as inflation and exchange rates.



Key outputs

Strategic performance

Total revenue growth

30%

(2022: 10%)

Total revenue

Ushs 207.5 Bn

(2022: 159.2 Bn)

Cost-to-income ratio

83%

(2022: 87%)

Profit after tax

Ushs 27.5 Bn

(2022: Ushs 15.2 Bn)

Shareholder value

Return on assets

2.6%

(2022: 1.6%)

Return on equity

16.8%

(2022: 11.2%)

Growth in loans and deposits

Loans and advances

Ushs 602.5 Bn

(2022: Ushs 480 Bn)

Deposits mobilized

Ushs 789.8 Bn

(2022: Ushs 689.1 Bn)

Strong capital and liquidity

Tier 1 Capital ratio

19.6%

(2022: 19.2%)

Tier 1 + 2 Capital ratio

20.4%

(2022: 20.9%)

Controlled credit loss provisions

Profit and loss impairment charge

Ushs 9.1 Bn

(2022: Ushs 10.7 Bn)

Expected credit losses

1.5%

(2022: 2.2%)



Key opportunities

- New income generating avenues.
- Increased operational excellence.
- Reduced cost of capital: Upgraded core banking infrastructure enabled retention and growth of low-cost deposits.
- Improving the quality of our earnings.
- Increase in share capital by shareholders.

How we grow our financial capital

- 1 Strong strategic performance through stable growth in profitability by widening revenue streams and optimising costs.
- 2 Delivering balance sheet growth through lending amidst a challenging landscape.
- 3 Ensuring strong capital position levels that meet regulatory requirements within our risk appetite.
- 4 Securing sufficient funding and managing liquidity levels to ensure optimum running of our operations while building confidence within the financial services sector.

Leveraging our financial capital



Manufactured capital

Investments in digital and physical infrastructure strengthens the Bank's asset base. (See note 26 in the financial statements)



Human capital

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



Intellectual capital

Investments in bespoke know how that aids our financial inclusion agenda. (See note 25 in the financial statements).



Social and relationship capital

Investments in partner, regulatory, community, and customer capital.



Natural capital

Financially supporting sustainability initiatives in-line with our business strategy.

Connectivity with stakeholders, material matters, and short to medium-term strategic priorities

Related stakeholders



Material matters



Short to medium-term strategic priorities



Potential trade offs

- We continue to strike the balance between our capacity to invest in capital expenditure and the necessity for adequate returns on assets to meet our funding needs.
- The resources we invest in good governance and internal controls lowers or maintains our cost of capital.

Contribution to SDGs

Primary UN 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.



Secondary UN SDG

Building resilient, economically sustainable communities through our CSR initiatives as well as sourcing and outsourcing opportunities.



2. Our Chief Finance Officer's Review

Peter Ssenyange



Uganda's economic performance in 2023 demonstrated resilience and strong upwards momentum across all key sectors. As a bank we had a strong year in 2023. Our profit after tax grew by 82% from the previous year, our revenue by 30% and we increased financial access for Ugandans through loan book growth of 25.7%.

There were also positive strides in the agricultural and manufacturing sectors which reflected in the growth of our loan book.

I am pleased with the performance of the Bank for the year ended 31 December 2023 which has seen us grow from strength to strength. We are optimistic about our prospects for 2024 and will continue to deliver on our strategy for the benefit of all our stakeholders who look on us as partners in their value creation journey.

Financial overview



☞ Total Assets

Ushs
1,071 trillion

▲ 20%



☞ Customer loans & Advances

Ushs
602.5 billion

▲ 8%



☞ Expected Credit losses/loans

1.5% (2022: 2.2%)

▲ 48%

For us the year 2023 signaled the end of the 2020-2025 strategy journey and started a new direction to embed business sustainability and be relevant to our diverse stakeholders. We are proud of the achievements of last five years below;

- Our financial investments in our human, manufactured and intellectual capital have anchored our competitive position as a licensed tier 1 commercial bank and buoyed by our social capital we have partnered with several players to deliver groundbreaking customer solutions like Wendi.
- Our focus on governance and risk management has placed our business on a solid footing to expand responsibly and mindfully observe regulations.
- We have made significant improvements in accountability, transparent engagement and responsibility to our diverse stakeholder base and proactively responded to their legitimate needs.

We look back at our progress with pride and our future with confidence that resonates through our new purpose statement – Fostering Prosperity for Ugandans.

As we embark on our bold and exciting 2024 -2028 strategic journey, we shall deploy our capital to embed business sustainability and transform our organizational culture to impactfully deliver the financial inclusion objectives of the National Development Plan.

We are well positioned to respond to the new capital adequacy regulations as well as the changing needs of our customers.

On a personal note, I would like to thank my finance team that has supported my journey as I work with the rest of the leadership team to transform PostBank into a value driven financial institution.

➤ Total revenue

Ushs
207.6 billion
30%



➤ Profit after tax

Ushs
27.5 billion
82%



➤ Customer Deposits

Ushs
190 billion
19%



➤ Return on equity

16.8% (2022: 11.2%)
33%



➤ Cost to income ratio

83% (2022: 87%)
5%



3. Financial Highlights

1. Strong strategic performance

Objective:

- ☛ To attain a target cost to income ratio below 80% in 2023.

Results:

- ☛ Cost to income ratio improved by 3.8% to 83% and is slightly above the target of 79%. This is mainly on a count of continued cost discipline while investing in key areas that support revenue growth.

Objective:

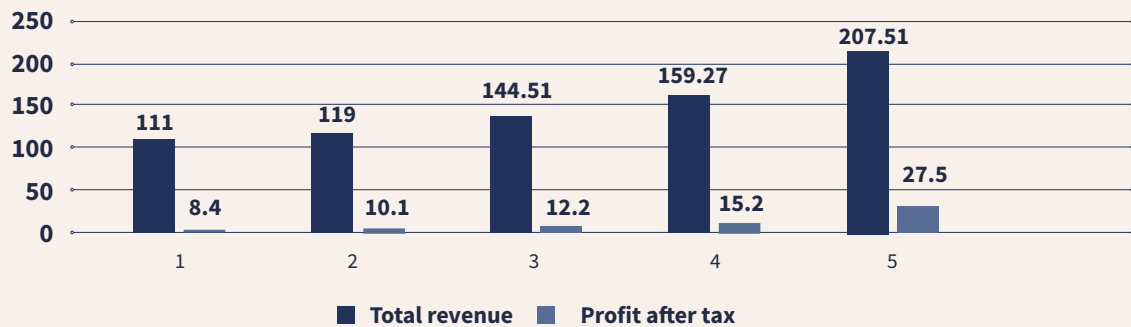
- ☛ To maintain a strong quality customer lending portfolio with a credit loss ratio of 3.2%.

Results:

- ☛ The credit loss ratio of 1.5%, is 0.7% lower than the 2.2% attained in 2023 and below target risk appetite level of 3.2%.

Our total revenue is comprised of interest income and fee and commission income. Total revenue increased by 30.4% from Ushs 159.3 Bn to Ushs 207.6 Bn in 2023 and our profit after tax closed at Ushs 27.5 Bn up from Ushs 15.2 Bn reflecting the dedication and high level of commitment of our staff.

Total revenue and profit after tax (Ushs Bn)



Interest income

Interest income is generated as a result of our lending activities. The larger proportion of the growth in interest income, which increased from Ushs 118 Bn to Ushs 159 Bn, was due to the commendable efforts of our credit team in delivering a 25.6% upsurge in the loan book which closed at Ushs 602.5 Bn in 2023.

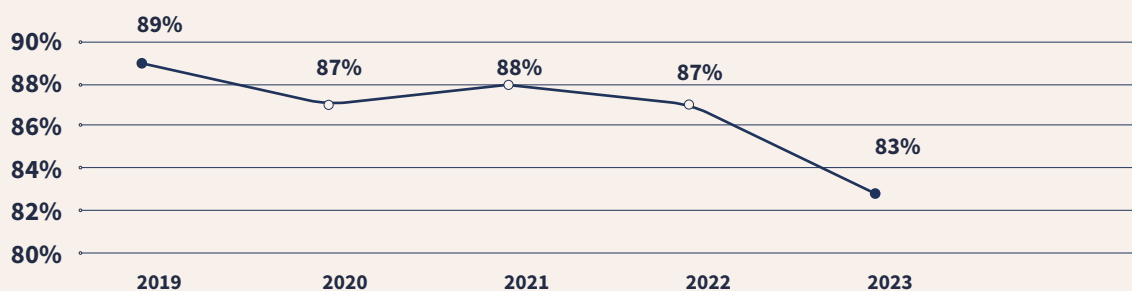
Fee and commission income

Fee and commission income includes trading income and income from dealings with our customers. We were able to register a 21% increase from Ushs 40 Bn to Ushs 48 Bn on account of an exponential increase in deposits which rose by 16.8% from prior year. The overall increase in deposits had a positive impact in our fees and commission revenue drivers.

Cost to income ratio

Our cost to income ratio continues to improve (down to 83% from 87%) due to our cost rationalization measures that ensure a positive balance of revenue and costs is maintained to guarantee long-term value creation and sustainability.

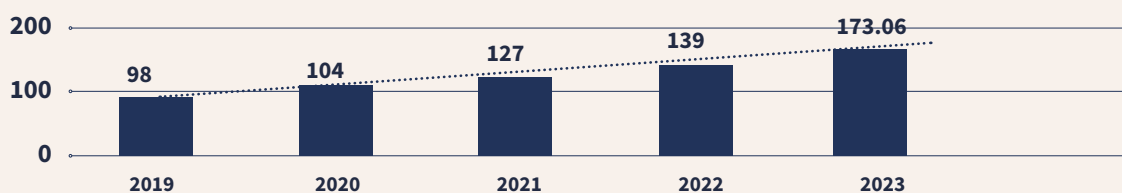
Cost to income ratio



Total expenses

Total expenses, which is largely comprised of our interest, staff and general administration expense increased by 25% from Ushs 139 Bn to Ushs 173.1 Bn.

Total expenses (Ushs Bn)



Our bad debt provisions decreased by 15% from Ushs 10.7 Bn to Ushs 9.1 Bn due to our strengthened credit processes and the general economic recovery seen in 2023.

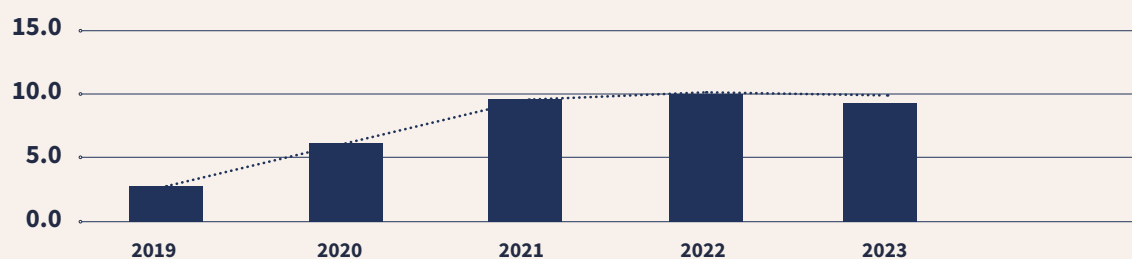
Objective:

- To maintain a strong and quality customer lending portfolio with a credit loss ratio below 3.2%.

Results:

- The credit loss ratio of 1.5%, is 0.7% lower than the 2.2% attained in 2023 and below target risk appetite level of 3.2%.

Bad debts provisions (Ushs Bn)



1. Delivering balance sheet growth

Our growth aspirations continue to deliver positive year on year impact and have delivered a 13.6% growth in our asset base (2022 to 2023) which was largely due to the expansion of our loan book by 25.6% from Ushs 480 Bn to Ushs 603 Bn as we sought more ways to lend sustainably.

Our funding base expanded by 20.8%, primarily due to a 14.7% increase in customer deposits. The growth in customer deposits during 2023 was fueled by strategic partnerships with telecommunications companies and government initiatives. We are committed to fulfilling the Tier 1 capital requirements, with strong backing from our shareholders. We maintain a positive outlook, anticipating that the combination of annual retained earnings and additional direct capital injections will bolster our long-term strategy and ensure compliance with regulatory standards.

Statement of financial position (Bn)

	2019 Ushs	2020 Ushs	2021 Ushs	2022 Ushs	2023 Ushs	YoY Change
Assets						
Cash and bank balances	27	31	42	99	130	31.3%
Investments	129	229	160	258	206	-20.2%
Loans and advances	267	335	455	480	603	25.6%
Other assets	18	23	38	39	49	25.6%
Fixed and intangible assets	50	57	47	67	83	23.9%
Total assets	491	675	742	943	1,071	
Liabilities						
Customers deposits	348	449	507	689	790	14.7%
Due to banking institutions	2	1	2	12	7	-41.7%
Borrowed funds	17	63	64	53	41	-22.6%
Other liabilities	37	61	52	53	70	32.1%
Total liabilities	404	574	625	807	908	
Shareholders equity	87	101	117	136	163	19.9%
Total liabilities and equity	491	675	742	943	1,071	

Shareholder value

We continue to deliver a strong return on equity for our shareholders while pushing the financial inclusion and NDP III agenda forward in a sustainable manner.

Objective:

- ❖ To deliver consistent returns (ROE) with a target minimum threshold set at > 17%.

Results:

- ❖ ROE was up 6% from 2022 and right on target in 2023. The strong growth was supported by the effective deployment of capital to enable investments in higher yielding assets, and a strong quality customer lending portfolio, and hence growth in PAT.

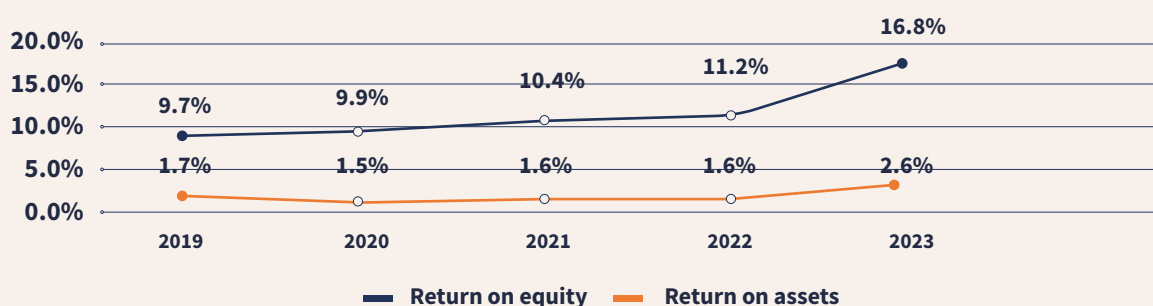
Objective:

- ❖ To effectively deploy the bank's liquidity into the optimal balance of assets that generate consistent returns, above the Internal benchmark of 2%.

Results:

- ❖ ROE was up 1% from 2022 and above the 2023 target. This growth was attributed to high contribution of earning assets to the total asset base in addition to driving non-asset-based revenues such as bancassurance and foreign exchange target risk appetite level of 3.2%.

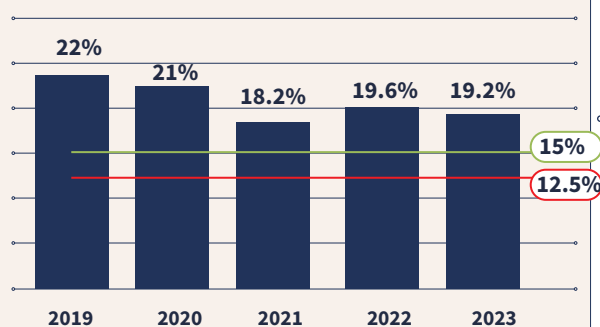
Return on Equity %



Capital adequacy

We are confident that we shall meet the new capital adequacy requirements. As of 31 December 2023, we were above the regulatory minimums for Core Capital Adequacy and Total Capital Adequacy.

Core Capital Adequacy



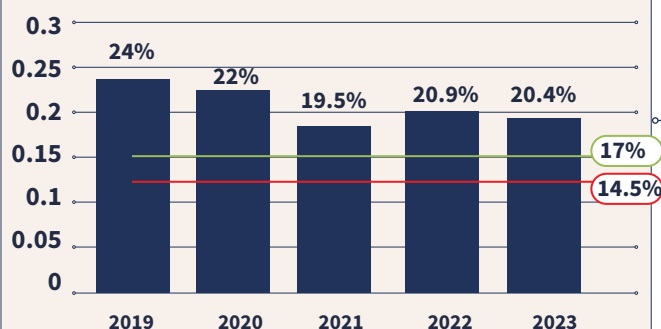
Objective:

- ❖ To maintain adequate levels of capital required to cover the regulatory capital adequacy requirements, business growth and investment prospects.

Results:

- ❖ Core capital closed at 19.2%, above the minimum regulatory requirement of 12.5% and above buffered requirement of 15%.

Total Capital Adequacy



Objective:

- ☞ To maintain adequate levels of capital required to cover the regulatory capital adequacy requirements, business growth and investment prospects.

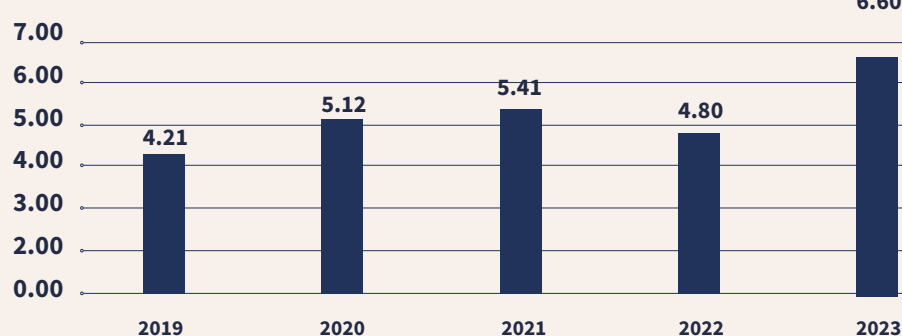
Results:

- ☞ Total capital closed at 20.4%, above minimum regulatory requirement of 14.5% and above buffered requirement of 17%. The capital position remains sufficient to cover the growth aspirations.

2. Contributions towards taxation

Throughout the year, we made a Ushs 6.6 billion contribution (compared to Ushs 4.8 billion in 2022) to support Uganda's development through direct taxation. Our unwavering commitment extends to paying even higher taxes in the future, driven by our focus on generating sustainable profits.

Corporate tax paid (Ushs Bn)



Outlook for 2024 and beyond

Short term

- ☞ Meet Tier 1 capital requirements.
- ☞ Maximize sustainably generated profits.

Medium term

- ☞ Achieve financial targets in budgets and strategic plan.
- ☞ Raise capital for onward lending to bolster financial inclusion.

Long term

- ☞ Provide sustainable returns to shareholder.
- ☞ Contribute towards achievement of NDP III and other Government development initiatives.





The Social Value We Contribute



1. Social and Relationship Capital



Wendi Team

4.



Social and Relationship Capital

Key elements of our Social and Relationship Capital

Sustainable value creation through social and relationship capital is only possible through ensuring collective well-being. We continue to build relationships that enable us to create sustainable value and as a result our value is created and preserved.

Social and relationship capital includes our relationships with our stakeholders and the communities in which we exist and contribute to the overall prosperity of Uganda.



Key inputs

- Interactions with the local communities and the media.
- Our collaborations with our business partners and suppliers.
- Creating long-term relationships with our customers.
- Ensuring we build and maintain a highly motivated staffing complement.
- Maintaining favorable rapport with governmental entities and regulatory bodies.



Key challenges

- Disruptions to our customers businesses arising from economic and climatic factors.
- Tradeoffs affecting stakeholder expectations.
- Constantly evolving stakeholder expectations and needs and managing conflicts of interests.
- Efficiently allocating resources to fulfil varied stakeholder requirements.
- Potential reputational damage when cordial relationships are not maintained.



Key outputs

Customer centric service

Mobile banking and
USSD users

43,237 users
(2022: 34,277 users)

Customer complaints
resolved

8,039 Complainants
(2022: 11,239)

Responsible procurements

Local suppliers

Ushs 34.4 Bn
(2022: Ushs 40.2 Bn)

Foreign suppliers

Ushs 1.8 Bn
(2022: Ushs 1.7 Bn)

Value adding access to finance

**Refer to page 63
for our impact**



Key opportunities

- Continue to leverage on social and relationship capital to enhance the creation of sustainable value.
- Continue to align our engagements with the community to those of our shareholders (NDP III).
- Continue to promote sustainable interventions that increase the overall value to our communities.
- The prospect of creating a positive long-lasting impact on our communities.

How we grow our social and relationship capital

- 1 Establish strong relationships with business partners [Partner Capital]
- 2 Reinforce regulatory compliance. [Regulatory Capital]
- 3 Society - creating thriving communities [Community Capital]
- 4 Satisfied and loyal customer base. [Customer Capital]

Leveraging our social and relationship capital



Financial capital

Satisfied and loyal customers result in sustained financial success, through stronger brand loyalty and equity.



Human capital

CSR initiatives create awareness, strengthen team spirit, and contribute to a good work life balance.



Intellectual capital

Customer-centricity, robust regulatory compliance, responsible procurements, and investments in the communities we operate, all contribute towards bolstering our customer loyalty, brand, and reputation.



Natural capital

Regulatory compliance sustains natural resources, thereby contributing to sustainability.



Manufactured capital

Digitalisation efforts enhance the potential of manufactured capital.

Connectivity with stakeholders, material matters, and short to medium-term strategic priorities

Related stakeholders



Material matters



Short to medium-term strategic priorities



Potential trade offs

- Investing in digital technologies builds manufactured and intellectual capital at the expense of financial capital.
- CSR projects require financial capital but build social and relationship capital and intellectual capital in the long-term. CSR budgets limit our ability to solve all of the social issues we would want to intervene in.
- Complying with regulatory requirements.
- Providing customer experience and exceeding customer expectations.

Contribution to SDGs



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



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



Our sustainable infrastructure projects benefit both the environment and community.



Our rigorous procurement process promotes responsible consumption and production.



Message From the Chief Operating Officer's Desk

Ms. Janey Rachel Nakato

In 2023, the COO space, directed most of our effort and resources in improving service to our customers, and enhancing our technology solutions to ensure that they are efficient, reliable, and secure for our customers.

To meet these objectives, we reviewed the structures for our Operations & service department, as well as the Business Technology department. The Contact Center was revitalized to provide 24-hour support to customers on multiple channels and languages, and a 24-hours Network Operations Center was set up under Business Technology to monitor the bank's services provided through technology to ensure their reliability. The bank also invested in various tools and technologies alongside these teams to transform the quality of service provided.

Alternative channels



PostMobile:-
*263#, PostApp



PostAgent



PostOnline



PBU- ATMs



WendiWallet:-
*229#, WendiApp.

Customer centric training and engagement

We undertook massive training for service officers bank wide and focused on knowledge building, quality of service and turn-around time to serve customers and resolve their issues. Our Enterprise Service Management solution was expanded, and more service departments were onboarded to monitor the quality of support provided. Currently, service quality from the departments of Business Technology, Operations & Service, Administration, Human Resources, Procurement, Credit and Legal are monitored through this centralized platform. We hosted our first Customer Engagement dinner during the Customer Service month where the bank's management engaged and dined our top customers in appreciation for their business with the bank.

Our customers can now digitally open an account both in-branch and remotely at their convenience within 5 minutes, thanks to the Instant Account Opening solution that was fully rolled out. We also enabled biometric withdraws over the counter in our branches and in remote field operations to serve our customers easier. We integrated directly with SWIFT as opposed to going through a 3rd party bureau and this is in support of a progressive effort to improve the efficiency of cross-boundary transactions.

Stronger internal capacity and IT security

In a bid to bolster our internal capacities, we undertook several trainings for our teams; several staff in the Business Technology department were trained and certified in ITIL, a standard

for IT Service management, while the Contact Center team underwent intensive Digital Media Service training. We also focused on professional trainings for staff in the specialized areas like Business Technology on various technology skillsets, Treasury back office and IT Security in areas like Professional Penetration testing.

In response to the globally recognized insider threat that is driving cyber risk, we partnered with an internationally recognized IT Security awareness provider. Through this, we have been able to curate dynamic role-specific content to progressively train and practically test all bank staff in cyber risks, particularly those in the financial sector. We have also implemented several technologies to identify, protect, detect, and respond to cyber threats across all our technology platforms, and are currently leveraging artificial intelligence for intrusion detection and response.

Lastly, as a team, we recognized the dire need in today's world to leverage our collective creativity collaboratively across various units in the bank to bolster innovation. To that end, we rolled out the Innovation Framework for the bank which essentially is a streamlined process for staff to bring new ideas to the table, openly discuss them for improvement and enables us to recognize and reward staff with good ideas.

Outlook

As we begin 2024, we hope to further build on these pillars to drive service quality and reliability both in the bank and across all our channels.

**zer
FLEX**
Digital Account

Experience the thrill of **stress-free banking** anytime, anywhere !

- ✓ No Withdrawal Fees
- ✓ No Maintenance Fees
- ✓ No Balance Inquiry Fees

*Terms & Conditions Apply



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

PostBank's "business partner capital" signifies the value created through interconnected business relationships that facilitate the effective and smooth provision of products and services. These relationships encompass various partnerships, including correspondent banks, suppliers, outsourcing service providers, and other associates.

Our approach to business partner capital

At PostBank, our business partners are an integral part of our operations, contributing to our overall profitability and sustainability. Consequently, we ensure transparency in all our transactions, guided by appropriate policies that oversee the entire process. We seek to cultivate enduring and sustainable business relationships that result in mutual benefits.

Strategies to enhance value

- Consistent and stable transactions
PPDA compliant procurement practices.

Value generating drivers for building strong partnerships

- Enabling financial inclusion through grant partnerships.
- Responsible and compliant procurements (PPDA).
- Continuing to create mutual value to service providers.
- Strengthening strategic alliances.



Enabling financial inclusion through grant partnerships

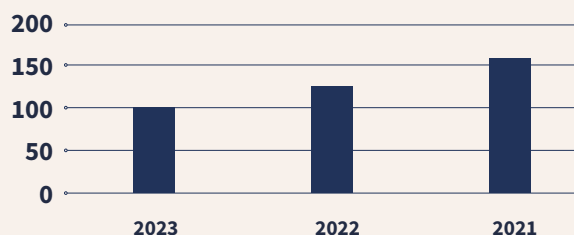
PostBank has established partnerships with development partners by facilitating payments to refugees and people of concern and loan products that support financial inclusion by improving livelihoods. We are deliberate about using our financial capital to create value beyond profitability.

Input Outcomes

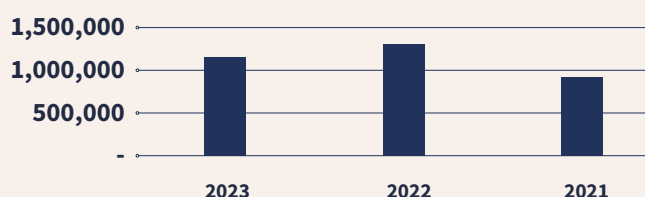
Our constantly expanding branch network and mobile vans continue to make it possible to reach refugees and People of concern by providing financial services in predominantly rural areas with no branch network.

Outcomes

Payments facilitated on behalf of People of Concern (Ushs Bn)



Number of refugees and people of concern households served



Heifer grant

We entered into a 50-50 partnership with Heifer International to enhance agricultural loans.

- Over Ushs 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.

Activities during 2023

- The project pends conclusion of the project audit and official closure.

Norwegian Refugee Council (NRC) grant

We received Ushs 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.

Activities during 2023

- The project was partly affected by the Covid 19 pandemic, and the Bank continues to assess performance of the portfolio for proper implementation.

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.

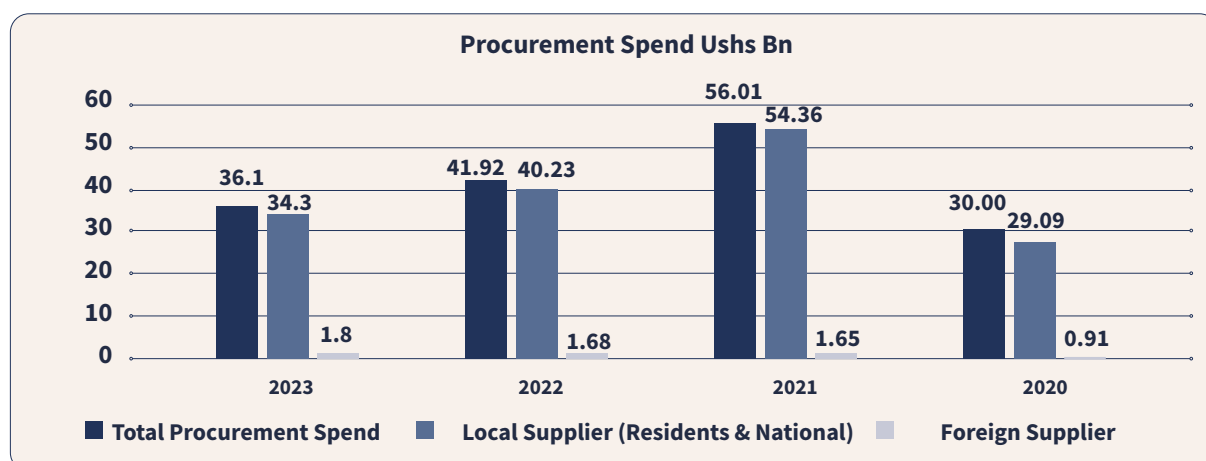
Activities during 2023

- The project completion date is 31 March 2024.

Responsible procurement GRI 204 - 1

Our suppliers are strategic partners whom we hold to the highest standards of quality, service, and ethical practices, because their service delivery impacts our service delivery.

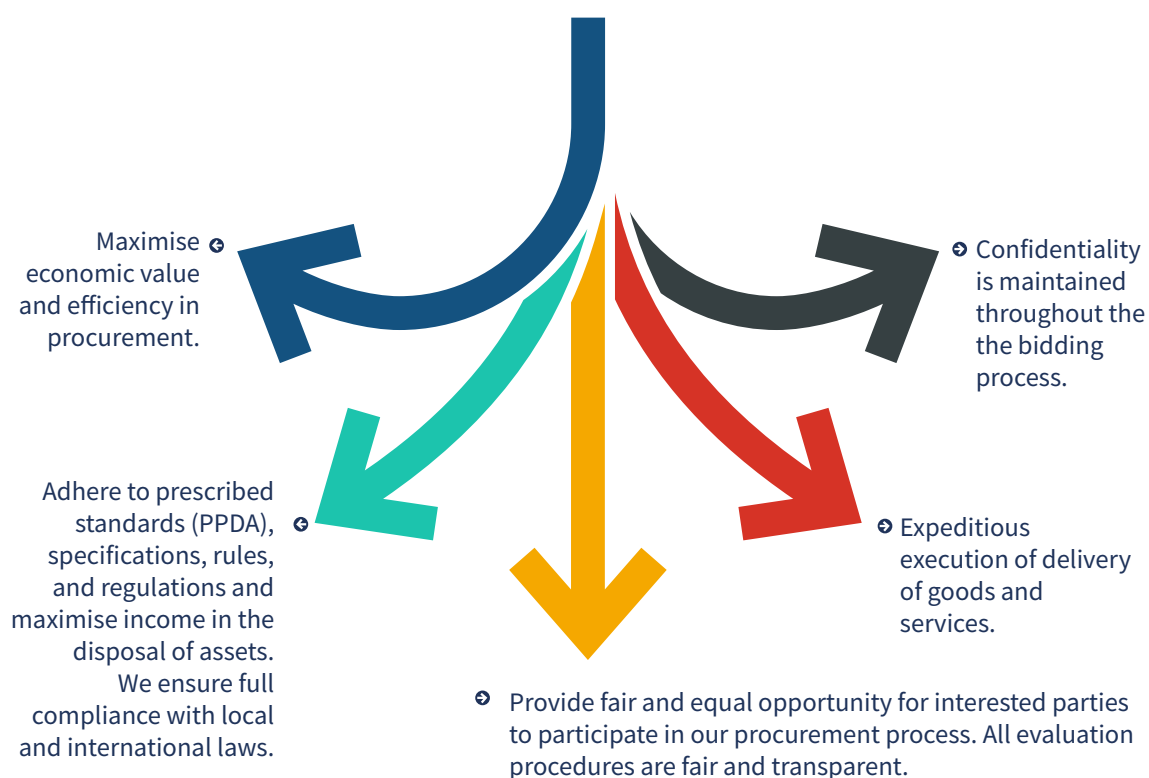
	2023	2022	2021	2020
% of BUBU in our procurement spend	95.1%	95.9%	97.1%	96.9%
% of indigenous Ugandan businesses in total spend	52.3%	43.9%	48.6%	49.9%
% of indigenous Uganda business in local spend	55.0%	45.7%	50.1%	51.4%



We collaborate with local suppliers who can meet the criteria outlined in the Public Procurement and Disposal of Public Assets Act when delivering goods and services to us.

Our supplier selection process is characterized by transparency, emphasizing principles such as non-discrimination, equal treatment, confidentiality, fairness, openness, and accountability. To create value in a well-rounded manner, we maintain a diversified supply chain.

The key features of our robust procurement process:



Our procurement plan is updated annually based on our changing requirements. 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.

While the procurement function of the Bank carries out procurements, the procurement procedures are overseen by the procurement committee, appointed by CEO and approved by the Permanent Secretary Ministry of Finance, Planning and Economic Development.

Our procurement process embeds economic, social, and environmental impacts into the process. Selection criteria includes:

- ✦ Quality of services or products.
- ✦ Competitiveness of prices.
- ✦ Experience and competence.
- ✦ Financial soundness.
- ✦ Flexibility and capacity.
- ✦ Demonstrated compliance with legal requirements.

2. Reinforce regulatory compliance. [Regulatory Capital]

We hold the view that regulatory capital's fundamental purpose is to uphold both financial and social stability. Within the financial services sector, regulatory capital assumes various crucial functions, such as absorbing losses, cultivating public confidence, curbing excessive asset expansion, and protecting depositors.

Our approach to regulatory capital

As a state-owned licensed Tier 1 Commercial bank, our bank is incorporated under the Companies Act of Uganda and is licensed and regulated by the Bank of Uganda. In light of this significant responsibility, we are dedicated to adhering to all regulatory requirements and upholding sound corporate governance principles to foster customer trust and contribute to a stable economy. Our commitment extends to fulfilling our tax obligations, thereby positively contributing to the economic development of Uganda our country.



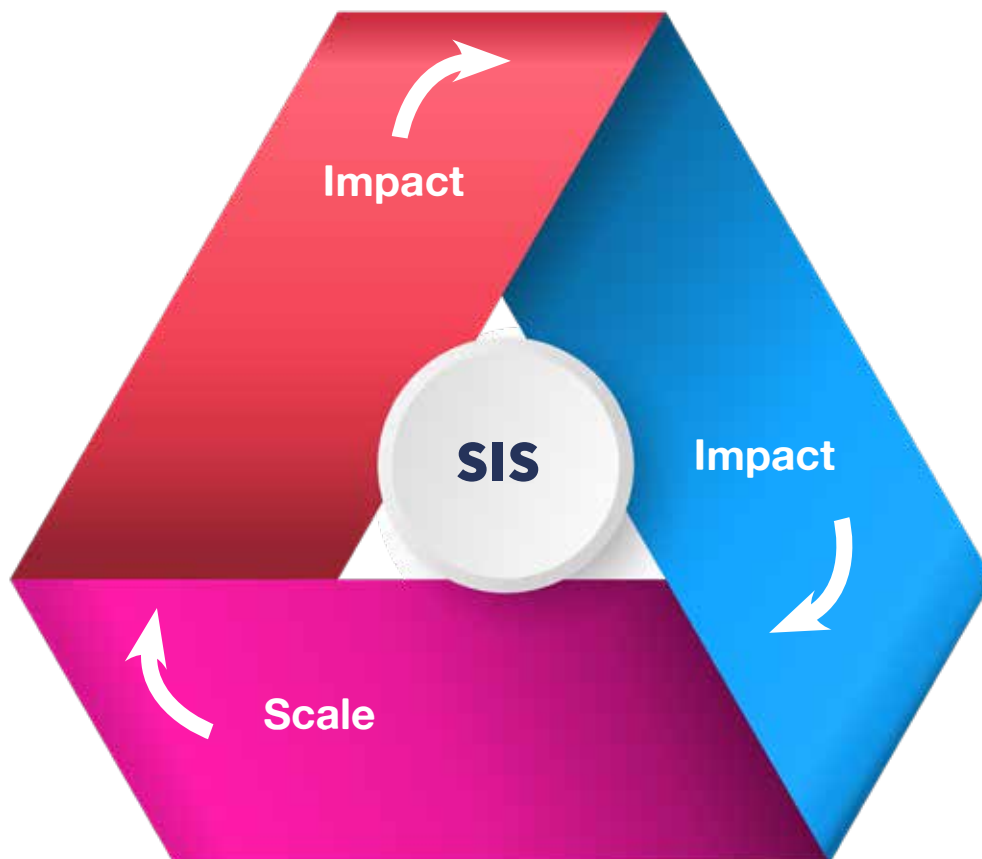
<p>Strategies to enhance value</p> <ul style="list-style-type: none"> Put in place mechanisms to identify, assess, and respond to regulatory changes. Strengthen operational resilience. Improve stress testing standards. 	<p>Value generating drivers for strengthening regulatory compliance</p> <ul style="list-style-type: none"> Consistent compliance with laws and regulations. Anti Money laundering, bribery, and corruption. Strong governance and prudent risk management. Strengthening strategic alliances.
<p>Compliance with regulations</p> <ul style="list-style-type: none"> Adhere to the provisions of the: <ul style="list-style-type: none"> Financial Institutions Act, regulations, and amendments Financial institutions licensing regulations Maintain close relationships with: <ul style="list-style-type: none"> 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. 	<p>Anti-money laundering, bribery, and corruption:</p> <ul style="list-style-type: none"> Identification of three principal risk areas in the age of digitisation: <ul style="list-style-type: none"> Anti-money laundering Cybersecurity. Fraud prevention.
<p>Strong governance and prudent risk management Maintain a watertight governance system and strict risk management policy.</p> <ul style="list-style-type: none"> Reinforce a risk culture as a short to medium-term strategic priority. Continue to practice a strong risk culture that effectively anticipates, manages, and mitigates risks arising from internal and external environments. 	<p>Contributions to the Government.</p> <ul style="list-style-type: none"> 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.
<p>Additional discussions on risk management can be found on pages 82 to 87 of the Report under the Material Matters Risks and Opportunities section.</p>	

3. Society – Creating thriving communities [Community Capital]

Embracing social responsibility in today's society is a crucial concept and trend that no business can afford to overlook. PostBank's conscientious business decisions have consistently generated value for various stakeholders, both directly and indirectly. These decisions contribute to enhancing the well-being of individuals associated with our bank, fostering sustainable growth.

Our approach to community capital

We believe in creating sustainable societal value by providing affordable products and services. 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 CSI initiatives at PostBank is and continues to be guided by our three core commitments of SIS:





Strategies to enhance value

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

Value generating drivers for strengthening community compliance

- Contribute to National Development.
- Prioritize financial inclusion.
- Give back to communities.

We aim to strategically streamline our CSI initiatives, concentrating on specific social issues, all with the goal of empowering communities to improve their livelihoods. We are dedicated to leveraging on numerous opportunities to amplify and intensify our social impact, creating value for all involved.

**4. Satisfied and loyal customer base. [Customer Capital]**

At PostBank, customer capital represents the value generated through our engagements with customers, directly contributing to both present and future value. Essentially, it encapsulates the results of our customer relationships.

Our approach to customer capital

Our relationship with our clients is a major part of what we do and greatly impacts on the quality of our work. We implement a comprehensive strategy that depends on various channels to deliver exceptional customer service. PostBank clients can offer immediate feedback as they interact with us physically at our extensive branch network, along with mobile/internet banking and other platforms that guarantee that they enjoy optimal access to our services.

Strategies to enhance value

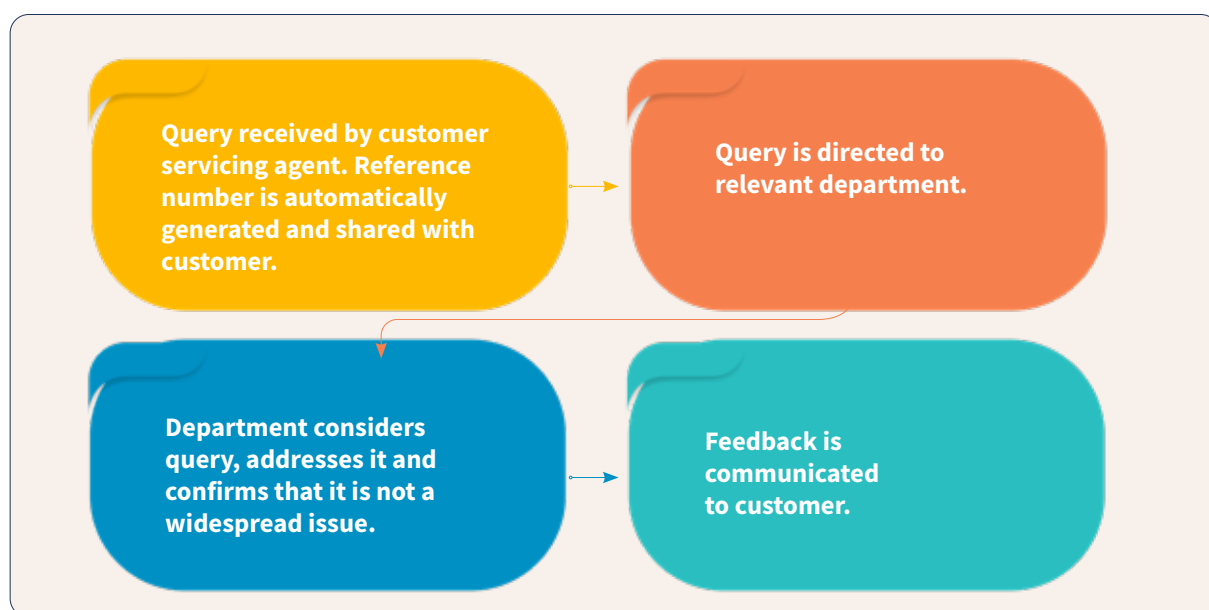
- Continuously strive to deliver excellent customer service by enhancing our digital customer service model.
- Measured and monitored customer satisfaction performance indicators.
- Individual staff responsibility to do whatever is possible to enhance customer experience.

Value generating drivers for strengthening regulatory compliance

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

Solving customer problems

Our call center provides our customers with the opportunity to communicate with us on prospective business opportunities or solve a grievance. All calls are recorded for quality and continuous improvement purposes and are handled by highly trained and skilled customer service representatives. Our customer service process follows the following cycle:



- 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.

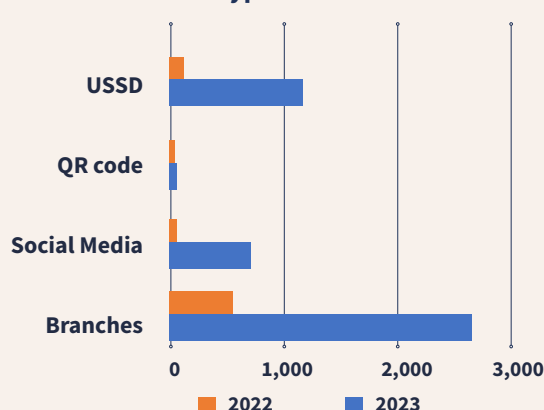
8,039
(2022 – 11,269)

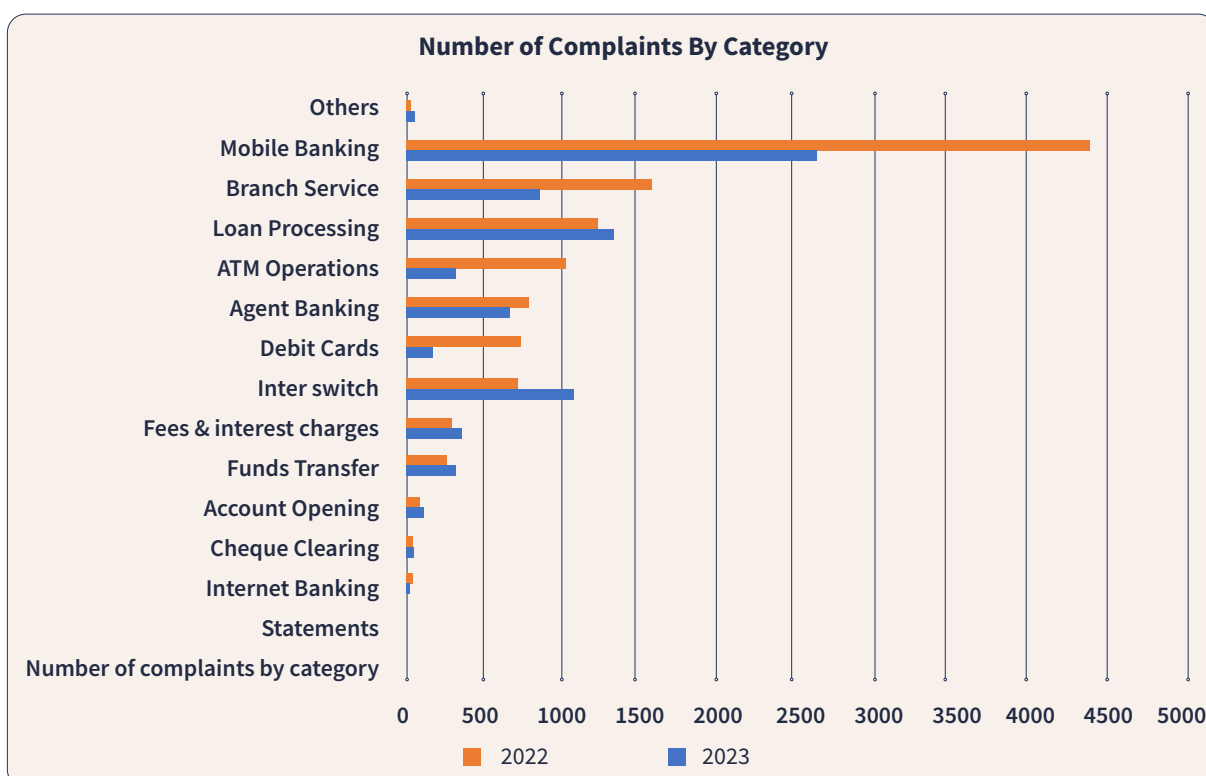
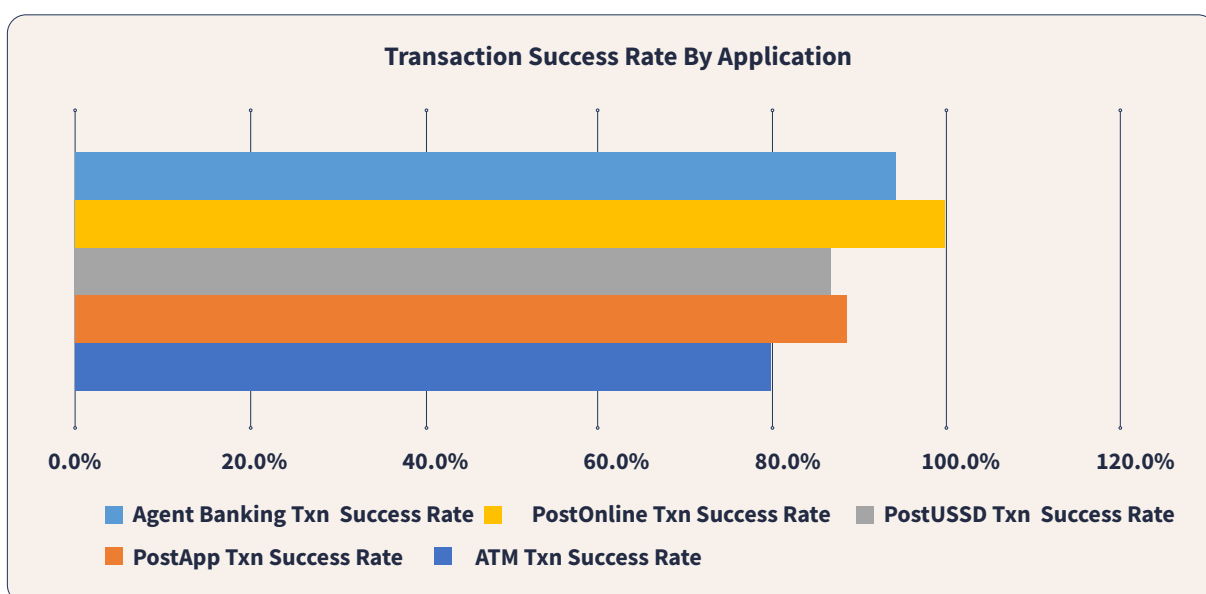
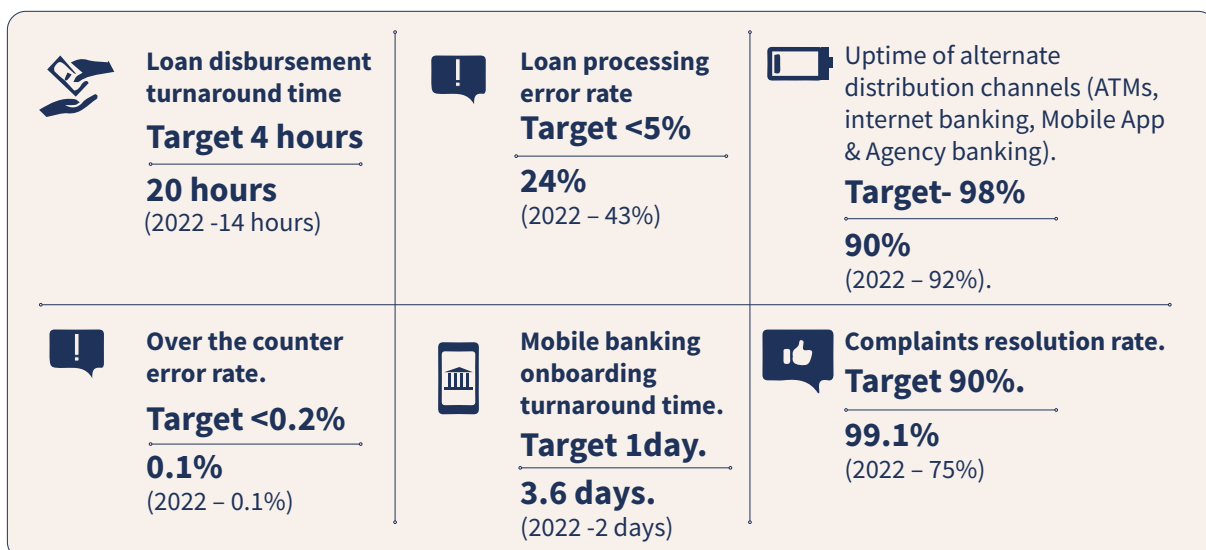


Number of complaints resolved.

7,971
(2022 – 11,239)

Number of inquiries received by channel type in 2023







Head ICT security and Governance

Steven Mwesige

Enhanced customer experience

Protecting our customer data with our PostBank cyber-security framework

Cybersecurity has become more critical than ever as the number of smart, connected devices grows and service delivery transitions from traditional delivery methods to digitized 24/7/365 delivery methods. Ensuring customer privacy in delivery of Bank's financial services is critical.

At PostBank, we are on a journey toward advancing cybersecurity maturity in our products, Operational Technology (OT) and enterprise information technology (IT). We recognize that cybersecurity threats continue to evolve, and the strategies, processes, and tools we use must continue to advance. By protecting PostBank's systems, safeguarding our software development capabilities and defending the company's IT infrastructure, we are helping to

maintain a thriving and resilient financial services industry for our customers.

System Security Management

Our commitment to cybersecurity includes the protection and resilience of our products, operations, and IT. We strive to meet high security standards so we can empower our customers with robust financial services. We base our strategic approach to cybersecurity on three guiding principles:

Security by Design: All new and existing systems undergo rigorous security assessments before going into production to ensure that all vulnerabilities have been identified and addressed. Technology, People, and Processes are tightly integrated

to ensure that security and data protection controls are embedded in all Bank operations to reduce the risk and impact of a breach.

Security in use: PostBank products and systems are secured and maintained throughout their intended life cycle, across all technologies and locations. Continuous monitoring, testing, and resolution of new vulnerabilities within the production environment is done to ensure that new security gaps are addressed before they are utilized by threat actors.

Alignment with standards: The Bank's security policies and procedures have been developed in alignment with internationally recognized standards such as ISO 27001:2022, PCI DSS v4, and the National Institute of Standards and Technology (NIST) framework v1.1.

Table 1 Sustainability Disclosure Data Security Metrics

Metric	2023	2022	2021
Number of data breaches	0	0	2
Percentage that are personal data breaches	0	0	50%
Number of account holders affected	0	0	1022
Card-related fraud losses from card- not-present fraud	0	0	0
Card-related fraud losses from card-present and other fraud	0	0	USHS 671,287,109

Data Protection – Our customers’ safety is fundamental to our success.

We align and respect National directives on Data protection	In line with the Data Protection and Privacy Act, 2019 of the Republic of Uganda, the Bank is registered as a Data Collector, Controller, and Processor with the Personal Data Protection Office of Uganda, registration number PDPO-202112-0033.
How our data protection and privacy policy framework works	Data Protection Focal Points have been established with a representative from each department and branch ensuring appropriate data protection and data security controls are enforced and working effectively within their area of responsibility. This decentralization of data protection governance ensures effective data security risk management across the Bank.
Investing to keep customer and bank data safer every day	In 2023, the Bank commenced a project to implement a Data Loss Prevention (DLP) system that manages the access to and use of sensitive Bank and Customer data across the Bank in line with the Banks’ Data Protection and Privacy Policy. This project will be fully rolled out by the end of Q1 2024.

Table 2 Sustainability Disclosure Customer Privacy Metrics

Metric	2023	2022	2021
Number of account holders whose information is used for secondary purposes	0	0	0
Total amount of monetary losses resulting from legal proceedings associated with customer privacy	0	0	0

Cybersecurity preparedness

Organizations must prioritize cyber preparedness to prevent and recover from cybersecurity attacks with minimal impact on business operations and service delivery. To enable resilience, it is crucial to identify, assess and mitigate cybersecurity risks. PostBank's Cybersecurity Operations Center (CSOC) is supported by a third party Managed Security provider for 24/7/365 cybersecurity monitoring and response. The primary responsibilities of the CSOC in line with the Bank's proactive security monitoring objectives are:

Cybersecurity monitoring

The CSOC is responsible for monitoring the corporate network for any unusual events, vetting data to identify security breaches, and providing information and support to incident management during an incident. PostBank proactively monitors for suspicious activity, including phishing attacks, malware and ransomware attacks, insider threats and human error.

Threat hunting and threat intelligence

The CSOC compiles internal and external threat data to enhance vulnerability knowledge and our understanding of how PostBank systems may be impacted. This includes insights regarding active campaigns and known threat actor activity. Additionally, the CSOC collaborates with government and industry leaders for threat intelligence, including the Uganda Bankers Association, Uganda National Computer Emergency Response Team (CERT), and Uganda Police.

Incident management

The CSOC helps maintain the confidentiality, integrity, and availability of PostBank systems and data by preparing for and minimizing cybersecurity incident-based losses, theft of information and/or disruption of services that could result in severe loss of information assets, revenue, public confidence, reputation, or market share. PostBank processes and procedures are based on and reference the NIST Special Publication (SP) 800-61 concepts to immediately detect and respond to security incidents. Guidance from data protection regulators is also incorporated during data breach management.

Outlook for 2024 and beyond

Short 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.

Medium term

- ❖ 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.

Long term

- ❖ Impact our communities in a positive manner.
- ❖ Develop a safe, trusted, and stable financial ecosystem for our clients.

5.



Natural Capital

Key elements of our Natural capital

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.

Our environmental focus areas



Biodiversity



Energy efficiency



Water



Climate change



Green buildings



Key inputs

- Air
- Water
- Land
- Forests
- Biodiversity and ecosystems



Key challenges

- Getting stakeholders buy in on natural capital and green initiatives.
- Investments in green initiatives tend to cost more.
- Complexities in measuring true environmental impact.
- Tradeoff between expanding presence and lowering carbon footprint.



Key outputs

Responsible consumption

Electricity

1.91 Mn KWH
(2022: 1.5 Mn KWH))

Water

36.1 Mn liters
(2022: 23.4 Mn liters)

Paper

50,998 Kgs
(2022: 34,850 Kgs)

Fossil fuels

447,161 liters
(2022: 289,670 litres)

Sustainable financing

Solar loans disbursed

Ush 22 Mn
(2022: Ushs 91 Mn)

Water and sanitation loans

1.1 bn
(2022: Ushs 2 Bn)

Key opportunities

- Opportunity to explore green initiatives such as green products and green finance.
- Our intention to be here for the long term creates incentives to reduce our environmental impact.
- Efficient use of resources leads to reduced costs and preserves financial capital.

How we grow our Natural capital

- 1 Responsible consumption.
- 2 Embedding sustainable financing into our lending practices.

Leveraging our Natural capital



Financial capital

Financial resources deployed in green initiatives reduce costs in the long run. A greater market share in green products will create future profits for long term sustainability.



Human capital

Green initiatives contribute to the health and wellbeing of our staff at work and at home.



Intellectual capital

Green initiatives enforce our intention to be and remain the 'Peoples's bank'.



Social and relationship capital

Green initiatives contribute to the long-term sustainability of our business plan and create stronger ties with participating suppliers.



Manufactured capital

New and innovative investments in manufactured capital have a direct impact on bringing down our overall environmental impact.

Connectivity with stakeholders, material matters, and short to medium-term strategic priorities

Related stakeholders



Material matters



Short to medium-term strategic priorities



Potential trade offs

- In the short run, transitioning to cleaner energy use and solutions will result in trade-offs in the way we work and costs more to implement.
- Investments in increasing natural capital have a negative impact on financial capital, however human capital, intellectual capital, and financial capital increase in the long run.
- Climate change and natural disasters have the potential to deteriorate our financial and manufactured capital.

Contribution to SDGs

Every effort is being made to reduce our water consumption in the coming year. We continue to identify innovative ways to prudently use water and ensure that our employees are on board with our practices.

Energy efficient electrical components were used during the renovation of existing facilities and the construction of new branches and facilities.

Efficient design for new branches ensures a thoughtful and only if necessary approach to our expanded branch network.

Our digital transformation journey includes moving us from a 'paper light' to a 'paperless' organisation. Staff rationalize the use of our vehicles and backup power systems (generators) while at work.

‘Green buildings’

We have deliberately taken steps to ensure that all our new and renovated buildings are installed with the newest technologies and concepts that result in lower energy, water, and natural resource consumption. The quality of work life of our employees was also indirectly improved as a result, for example:

- ❖ The introduction of larger glass windows optimizes natural light and air and reduces energy consumption on air-conditioning and lighting.
- ❖ Upgrading our air-conditioning systems in favor of more energy efficient and quieter units greatly improved working conditions.
- ❖ New baby/lactating rooms for new mothers reduced the overall fuel consumption and day care costs incurred by new mothers who do not have go to day care centers on the way to work.

‘Digitalisation contributes to reductions in resource consumption and a lower carbon footprint’

We understand that digitalization supports our long-term sustainability through minimizing use and waste of natural resources, thereby reducing our carbon footprint. Our wide range of digital products and services act as incentives for our customers to use our digital channels and internet banking services. Refer to page 160 for more information on our digital services.

‘Lower paper usage’

During the year, over 10,000 new accounts were opened by our customers digitally. This saved on tons of paper that would have been traditionally used in the accounts opening process. Other ways we continue to lower paper usage include the gradual integration and automation of processes that previously relied on paper usage.



Energy efficiency

The main ways in which we consume energy at PostBank include; electricity from the National Grid, generated from solar panels installed at our branches, and diesel and petrol. We continue to rationalize the use of these resources to ensure responsible consumption for the benefit of our future generations to come. Measures we have taken include:

- ❖ Limiting usage of back up systems to only working hours.
- ❖ Installation of inverter AC units that are CFC free and save on energy consumption.
- ❖ Discouraging staff from working on public holidays.
- ❖ Promoting recycling.
- ❖ Engaging employees on energy conversation as a cost cutting and environmental preservation tool.



Responsible water usage

Our water consumption was 36.1 million litres in 2023. Steps are being taken to reduce this consumption in 2024 including sensitizing employees on efficient water usage and new plumbing installations that use less water than previous systems.

31,310 litres consumed per staff	An average of 564,000 litres were consumed at each branch.
----------------------------------	--

Our commitment to sustainable financing is demonstrated by our lending practices that ensure that the potential negative impact of lending actions on the environment is considered. Our pursuit of long-term sustainable development incorporates ESG considerations into our credit and risk evaluation processes. Transactions with high ESG risks are subject to further scrutiny. Please refer to our sustainability report on pages 53 for more information.

‘Climate change impact’

As well as sudden and adverse weather affects our business directly. Close to 25% of our loan book sits with the Agriculture sector and is ultimately exposed to climate change risks such as reduced production levels which lead to lower income levels and increased probability of default. Such events also have a knock-on effect on the country’s economy and overall spending levels which in turn affect repayment capacity of other nonagricultural loan borrowers.

We continue to support our agricultural customers through various trainings and workshops that include units on the impact of climate change on their overall productivity as wells as the available mitigations.

Outlook for 2024 and beyond		
Short term	Medium term	Long term
<ul style="list-style-type: none"> ➤ Reduce carbon footprint through increased use of digital technologies. ➤ Encourage more customers to take advance our digital offerings including Wendi. 	<ul style="list-style-type: none"> ➤ Continue to drive our sustainable finance agenda. ➤ Increase green products and services and in house green initiatives. 	<ul style="list-style-type: none"> ➤ Create environment friendly consciousness across the bank. ➤ Invest in long term green initiative and preservation products.



GRI Index

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

GRI Standard	Disclosure	Page Number
102-1	Name of the organisation	14
102-2	Activities, brands, products, and services	22-23
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102-7	Scale of the organisation	17
102-8	Information on employees and other workers	134
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102-14	Statement from senior decision-maker	80,100
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102-18	Governance structure	36-39
102-40	List of stakeholder groups	71
102-42	Identifying and selecting stakeholders	70
102-43	Approach to stakeholder engagement	71
102-44	Key topics and concerns raised	71
102-46	Defining report content and topic Boundaries	13
102-47	List of material topics	84
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Economic importance		
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103-2	The management approach and its components	82
103-3	Evaluation of the management approach	82
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GRI 103: Management approach		
103-1	Explanation of the material topic and its boundary	82
103-2	The management approach and its components	82
103-3	Evaluation of the management approach	82
GRI 201: Economic performance		59
Indirect economic impacts		
GRI 103: Management approach		
103-1	Explanation of the material topic and its boundary	82
103-2	The management approach and its components	82
103-3	Evaluation of the management approach	82

GRI Standard	Disclosure	Page Number
202-2 Market presence		
GRI 204: Procurement practices		
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GRI 302: Energy		
302-1	Energy consumption within the organisation	221
GRI 303: Water and effluents		
303-5	Water consumption	221
GRI 401: Employment		
401-1	New employee hires and employee turnover	138
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GRI 103: Management approach		
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103-2	The management approach and its components	82
103-3	Evaluation of the management approach	82
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404-1	Average hours of training per year per employee	141
404-2	Programmes for upgrading employee skills and transition assistance programmes	141
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GRI 405: Diversity and equal opportunity		
405-2	Ratio of basic salary and remuneration of women to men	142
GRI 418: Customer privacy		219







Marketing and Communications Team

09

FINANCIAL STATEMENTS





Corporate Information

Directors	Position	Appointment Date
Mr. Andrew Otengo Owiny	Board Chairman	01 February 2021
Mr. Lawrence Kasenge	Board Member	22 November 2017
Ms. Beatrice Lagada	Board Member	01 July 2019
Ms. Faridah Mukasa Kasujja	Board Member	01 February 2021
Mr. Joseph Areu	Board Member	01 December 2022
Mr. Johnson Mugulusi	Board Member	18 October 2023
Mr. Julius Kakeeto	Managing Director	14 October 2019
Mr. Andrew Kabeera	Executive Director	08 May 2020

Lawyers

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

Registered Office

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

Auditor

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

Company Secretary

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

Corporate information (continued)



Corporate Governance Report

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.

The Directors endorse the principles of corporate governance as stated in the Financial Institutions (Corporate Governance) Regulations, 2005 and the Bank's Governance Charter.

The Board of Directors of PostBank Uganda Limited has the overall responsibility for ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. In order to promote effective governance of the Bank, the following structures have been put in place for the execution of PostBank Uganda Limited Corporate Governance Strategy:

- a) Board of Directors.
- b) Board Committees; and
- c) Executive Management Committees.

a). The Board

As at 31 December 2023, the Board consisted of eight (8) members, six (6) Non-Executive Directors including the Chairman, and two (2) Executive Directors i.e. the Managing Director and the Executive Director. Their profiles are presented below:

☉ Andrew Otengo Owiny – Non-Executive Director/Board Chairman

Andrew has over 33 years of practical experience in Banking, particularly Investment Banking, Corporate Finance/Financial & Investment Advisory and Capital Markets activities in USA, Europe & Africa. He holds a Master of Business Administration (MBA) Degree in Finance & Accounting from The Wharton School of the University of Pennsylvania, Philadelphia, USA, and a Bachelor of Commerce (BCom) Degree (Hons) from Makerere University, Kampala (MUK).

Andrew has, over the years served, and continues to serve, on numerous other Boards of organizations across Africa. From Rwanda Stock Exchange (RSE), ICEA Life Assurance Company Limited Uganda, G4S Secure Solutions (Uganda) Limited, National Council of Sports, Uganda Securities Exchange (USE), National Social Security Fund (NSSF), aBi Finance Limited, Uganda Rugby Union (URU), CAL Merchant Bank Limited (now Cal Bank Limited) in Accra, Ghana; National Merchant Bank of Zimbabwe Limited ('NMBZ') in Harare, Zimbabwe, to Securities Discount Company Limited ('SDC') in Accra, Ghana.

☉ Lawrence Kasenge – Non-Executive Director

Lawrence is a Principal Economist with the Ministry of Finance, Planning and Economic Development with over 16 years' experience in public finance and policy analysis and management. He holds a Bachelor's degree of Science (Hons) in Quantitative Economics, a Master of Business Administration in Accounting and Finance (MBA) and a Master of Arts in Economic Policy and Planning (MAEPP), all from Makerere University.

☉ Beatrice Lagada – Non- Executive Director

Beatrice has over 37 years' experience in education administration and politics. She holds a Bachelor of Education from Makerere University, an International Diploma in Planning for Rural Development from National Institute for Rural Development India, and a diploma in Education from National Teacher's College, Kyambogo.

Beatrice has served on various boards over the years, including at National Medical Stores, Lira University Council, Kyambogo University Council, National Information and Technology Authority, among others.

✪ **Farida Mukasa Kasujja – Non- Executive Director**

Farida boasts of over 24 years of experience in Banking. She holds a Bachelor of Arts in Economics from Makerere University and is currently undertaking a Chartered Banker Master of Business Administration of Bangor University Business School, United Kingdom.

She built her career in Banking with Standard Chartered Bank where she held various senior roles including Executive Director and Country Head Global Banking at Standard Chartered Bank.

Farida is currently a Manager Client Relations at African Export Import Bank (AfreximBank), East Africa Regional Office in Uganda and serves on various boards including Carewise Investments Limited, Case Med-Care and Greensteds International School.

✪ **Joseph Areu – Non-Executive Director**

Joseph Areu joined PostBank as a Non-Executive Director with 35 years of experience in Banking, business development and investment & advisory with an emphasis on capital markets securities in Eastern and Southern Africa. He holds a Master of Business Administration (MBA) from the University of Missouri, Columbia. He is a CFA UK (Level 4) holder. He also holds a Bachelor of Statistics and Diploma in Computer Science from Makerere University.

Joseph brings a wealth of experience from CDC Group PLC and the World Bank Group (IFC) where he was responsible for managing investment portfolios and coordinating IFC's advisory services, respectively. He also worked with the Uganda Development Bank where he served as a Senior Principal Loans Officer.

Currently, he serves as an Independent Non-Executive Director on the boards of CIC Africa Life Assurance Ltd and AltX, a securities exchange operating in Uganda. Joseph is an Independent Financial Advisor (IFA) providing services to SACCOS, NGOs, Investment Groups, Companies, and Individuals.

✪ **Johnson Mugulusi-Non-Executive Director**

Johnson is a professional Accountant with over 20 years of experience. He's a Certified Public Accountant (CPA) in Uganda, a Fellow of the Association of Chartered Certified Accountants (FCCA), and a CPA in Canada. He has a Bachelor of Commerce (Honors) in Accounting from Makerere University and an MBA from Oxford Brookes University.

Johnson has served as Managing Director and CFO of Air Serv Ltd, Audit Manager at the Office of the Auditor General of Bermuda, and currently, he's the Managing Director of the Paget Business Consulting Group. He has worked for PricewaterhouseCoopers, Kampala, and Ernst & Young, Bermuda. Johnson is a board member at Padre Pio Insurance Brokers Ltd and Treasurer for Kyambogo Dons Investment Club.

Johnson has extensive experience in various countries, such as Uganda, Bermuda, Tanzania, Rwanda, Malawi, Zimbabwe, Mozambique, the Republic of South Africa, Nigeria, South Sudan, and the Democratic Republic of Congo.

✪ **Julius Kakeeto – MD/CEO**

Julius Kakeeto is the Managing Director/ Chief Executive Officer of PostBank. Previously he worked at Orient Bank as the Managing Director /CEO.

He boasts of extensive Banking experience gained in Uganda, South Africa and the United Kingdom when he worked with CitiBank in various capacities with his last posting being in London in with Citi Global Markets where he was a Vice President in the Investment Banking Division, focusing on Emerging Markets, before returning home as Finance Director at Equity Bank in 2009. He is the current Vice Chairperson of the Uganda Bankers' Association and outgoing Council President of the Uganda Institute of Banking and Financial Services (UIBFS).

Julius is a Fellow Chartered Accountant (FCCA), a member of the Association of Chartered Certified Accountants (ACCA) and holds an MBA from Manchester Business School.

Corporate information (continued)
Corporate Governance Report (continued)
 a). The Board (continued)

• **Andrew Kabeera – Executive Director**

Andrew is a seasoned Banker that has garnered 16 years' experience working in Uganda's financial services sector. He worked at Standard Chartered Bank rising to the position of Head of Corporate and Institutional Banking and Commercial Banking Operations from where he joined dfcu Bank as Chief Operating Officer and Chief Change and Innovation Officer.

Andrew holds a Master of Business Administration from Uganda Martyr's University Nkozi and Bachelor's degree in Economics from Makerere University.

Responsibility of the Board

The roles of Chairperson and Chief Executive Officer are separated and clearly defined. The Chairperson is primarily responsible for the working of the Board whilst the Chief Executive Officer is responsible for the running of the Bank and implementation of Board strategy and policy. The CEO is assisted in managing the Bank on day-to-day basis by the Executive Management Committee, which he chairs and comprises all the Executive Officers. The Board is responsible for the Bank's structure and areas of operation, financial reporting, ensuring there is an effective system of internal control and risk management. The Board meets quarterly, and additional meetings are convened as the need arises. In 2023, the Board met Seven (7) times. In execution of its duties, the Board delegates some of its responsibilities to the Board Committees.

The Board carries out its responsibility through its standing committees. These are: Board Risk and IT Committee, Board Audit Committee, the Board Asset and Liability Committee, the Human Resource and Compensation Committee and the Board Credit Committee. Through the workings of these Committees, the Board sets broad policy guidelines and ensures the proper management and direction of the Bank. In addition to the Board Committees, there are a number of Management Committees, which ensure effective and good corporate governance at the managerial level.

b). Board Committees

The Board of PostBank Uganda Limited has five (5) Committees namely, Board Audit, Board Risk and IT, Board Human resource and Compensation, Board Credit and Board Asset & Liability (ALCO) Committee.

Board Audit Committee

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

Human Resource and Compensation Committee

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

Risk and IT

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

Board Asset and Liability (ALCO) Committee

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

Board Credit Committee

The Board Credit Committee provides oversight on credit operations in line with the Bank's credit strategy. Reviews, approves and/or declines credit applications and assists the Board in discharging its responsibility by reviewing the quality of the loan portfolio.

c). Executive Management Committees

These are committees comprising of senior management of the Bank. The Committees are also risk driven as they are basically set up to identify, analyse and make recommendations on risks arising from day-to-day activities of the Bank. They also ensure that the risk limits as contained in the Board and regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and ensure that the recommendations of the Board Committees are effectively and efficiently implemented. Some of the Executive Management Committees include the Executive

Management Committee (EXCO), Asset and Liabilities Committee (ALCO), Executive Credit Committee, Risk Management Committee, and the IT Steering Committee.

Director's Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2023, 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 60 branches, 14 mobile units, 1,545 agents, and 60 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 2023 of Ushs 27,535 million (2022: Ushs 15,165 million) has been transferred to retained earnings.

During the year, the Bank issued 1,909,518 bonus shares at par value of Ushs 10,000 totalling Ushs 19,095 million out of retained earnings. (2022: 1,223,582 shares at par value of Ushs 10,000 totalling Ushs 12,236 million).

The Directors do not recommend the payment of dividends. (2022: 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 233.

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. Auditor

The external auditors, KPMG Certified Public Accountants, have expressed their willingness to continue in office in accordance with section 167(2) of the Companies Act, 2012 Laws of Uganda and the Financial Institutions Act, 2004 (as amended 2016) Laws of Uganda.

5. Regulatory Capital Status

For the year ended 31 December 2023, the Bank complied with the minimum statutory capital requirement of Ushs.120 billion.

6. Approval of Financial Statements

The financial statements were approved by the Board of Directors on **05 March 2024** and authorised for issue on **04 April 2024**.

By Order of the Board



Company Secretary

Date: **04 April 2024**



Statement of Directors' responsibilities

The Companies Act, 2012 Laws of Uganda 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, 2012 Laws of Uganda and the Financial Institutions Act, 2004 (as amended 2016) Laws of Uganda. The Directors are of the opinion that the financial statements of PostBank Uganda Limited ("the Bank") set out on pages 14 to 98 give a true and fair view of the state of the financial affairs of the Company and of its profit in accordance with IFRS Accounting Standards and have been prepared in the manner required by the Companies Act, 2012 Laws of Uganda and the Financial Institutions Act 2004 (as amended 2016 Laws of Uganda). 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 150 billion by 30 June 2024 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.

Approval of the financial statements

The financial statements of PostBank Uganda Limited, were authorised for issue on **04 April 2024**.

Director

Director

Director

Secretary

Date: **04 April 2024**



KPMG
Certified Public Accountant of Uganda
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Independent auditor's report

TO THE MEMBERS OF PostBank UGANDA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PostBank Uganda Limited ("the Bank") as set out on pages 246 to 338, which comprise the statement of financial position as at 31 December 2023, 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, 2012 Laws of Uganda and the Financial Institutions Act, 2004 (as amended 2016) Laws of Uganda.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter

| How the Matter was addressed in the audit

Expected credit loss on loans and advances to customers

The disclosures associated with loans and advances are set out in the Financial Statements in the following notes:

- ④ Note 4: Material accounting policies.
- ④ Note 5: Significant accounting judgements, estimates and assumptions.
- ④ Note 6: Financial risk management.
- ④ Note 22: Loans and advances to customers.

The Bank has recognised Expected Credit Losses ("ECL") on financial instruments which involves significant judgement and estimates.

Our audit procedures in this area included:

KPMG Uganda is a registered partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

KPMG is regulated by the institute of Certified Public Accountants of Uganda (ICPAU)

Partners Edgar Isingoma
Asad Lukwago
Stephen Ineget
Judith Erone



Independent auditor's report

TO THE MEMBERS OF PostBank UGANDA LIMITED

Report on the audit of the financial statements (Continued)

Key Audit Matter	How the Matter was addressed in the audit
<p>ECL on loans and advances to customers is considered a key audit matter because the directors make significant judgements over both timing of recognition of impairment and the estimation of the size of any such impairment.</p> <p>As at 31 December 2023, the Bank's loans and advances to customers net of ECL amounted to Ush Ugx 603 billion, representing 56.3% of total assets, with total expected credit loss ("ECL") allowances of Ugx 18.6 billion recognized.</p> <p>The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's determination of Expected credit losses (ECL) are:</p> <ul style="list-style-type: none"> Model estimations - inherently judgmental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD models used in the portfolios are the key drivers of the Bank's ECL results and are therefore the most significant judgmental aspect of the Bank's ECL modelling approach. Economic scenarios - IFRS 9 requires the Bank to measure ECL on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the economic scenarios used and the probability weightings applied to them. Significant Increase in Credit Risk ('SICR'); the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12-month or lifetime provision is recorded. Presentation of the key assumptions and judgements made in the financial statements. 	<ul style="list-style-type: none"> Performing end to end process walkthroughs to identify and assess the design and implementation and the operating effectiveness of key controls used in the system applications and controls in the ECL processes. Selecting a sample of facilities from the Bank's loan book and evaluating whether the facilities sampled are correctly staged/classified and valued in accordance with IFRS 9 considering the Bank's definition of significant increase in credit risk and default. Evaluating the appropriateness of the Bank's ECL impairment methodologies by involving our internal financial risk modelling specialists to benchmark them with the requirements of IFRS 9. Challenging the appropriateness of the assumptions used in modelling the probability of default AND loss given default by benchmarking the parameters used such as time to realization, recovery rates, historic default rates and cure rates against actual outcomes for reasonability. Obtaining on a sample basis the key inputs used in the ECL calculations to macroeconomic forecasts, PD, LGD and EAD by agreeing the key inputs such as historical macroeconomic data, customer details, customer outstanding balances, interest rates, historical customer credit ratings and unique collateral data to source documentation and involving our specialist to reperform the PDs and economic forecasts. Evaluating key aspects of the Bank's SICR considerations by assessing the qualitative such as closure of customer businesses or death of customers and quantitative factors such as days past due that were used by management in their evaluation of the classification of the financial instruments into stages 1, 2 and 3. This included performing credit reviews and reaging the loan portfolio to evaluate the days past due. Challenging key assumptions made by the Bank in determining forward looking information by involving our financial modelling specialist to assess the completeness of the macro-economic variables considered such as gross domestic product, government final consumption and total domestic demand to model the economic scenarios and probability weightings made to the economic scenarios and the correlation between the Bank's credit risk parameters and the macro-economic variables. Assessing the adequacy of disclosures in the financial statements with regards to the key assumptions, judgements and credit risk disclosures in accordance with IFRS 7 <i>Financial Instruments Disclosures</i>.



Independent auditor's report

TO THE MEMBERS OF PostBank UGANDA LIMITED

Report on the audit of the financial statements (Continued)

Emphasis of matter - comparative information

We draw attention to note 42 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2022 has been restated. Our opinion is not modified in respect to this matter.

Other matter

Other Matter relating to comparative information

The financial statements of PostBank Uganda Limited as at and for the year ended 31 December 2022, excluding the adjustments described in Note 42 to the financial statements, were audited by another auditor who expressed an unmodified opinion on those statements on 3 April 2023.

As part of our audit of the financial statements as at and for the year ended 31 December 2023, we audited the adjustments described in Note 42 that were applied to restate the comparative information presented as at and for the year ended 31 December 2022. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2022 other than with respect to the adjustments described in Note 42 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 42 are appropriate and have been properly applied.

Other Matter relating to the National Audit Act

In addition to fulfilling our statutory responsibilities, we were also required by the Auditor General under Section 23(1) of the National Audit Act, 2008 to audit the financial statements of PostBank Uganda Limited. This report responds to this requirement based on the accounting framework and laws and regulations stipulated in this report and assists the Auditor General to comply with his requirements included in the National Audit Act, 2008, Public Enterprises Reform and Divestiture Act Cap 98 regarding his audit of public corporations.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the PostBank Uganda Limited Annual Report and Financial Statements for the year ended 31 December 2023 but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Independent auditor's report

TO THE MEMBERS OF PostBank UGANDA LIMITED

Report on the audit of the financial statements (Continued)

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Independent auditor's report

TO THE MEMBERS OF PostBank UGANDA LIMITED

Report on other Legal and Regulatory Requirements

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

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account have been kept by the Bank so far as appears from our examination of those books; and,
- (iii) The Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account.

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

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

Date: 08 April 2024

CPA Asad Lukwago



Statement of comprehensive Income for the year ended 31 December 2023

	Notes	2023 Ushs'000	2022 Ushs'000
Interest income calculated using effective interest rate method	7	167,217,107	125,922,570
Interest expense	8	(29,388,898)	(25,292,076)
Net interest income		137,828,209	100,630,494
Fee and commission income	9	31,590,462	29,460,641
Fee and commission expense	9	(1,247,887)	-
Net trading income	10	8,434,856	2,255,508
Other operating income	11	394,944	1,626,799
Impaired losses on financial instruments	12	(9,101,712)	(10,723,471)
Net operating income		167,898,872	123,249,971
Employee benefits expense	13	(60,440,740)	(49,787,182)
Depreciation and amortisation	14	(18,170,535)	(13,101,165)
Other operating expenses	15	(54,873,868)	(39,900,069)
Administrative and operating costs		(133,485,143)	(102,788,416)
Profit before income tax		34,413,729	20,461,555
Income tax expense	16	(6,878,348)	(5,296,998)
Profit for the year		27,535,381	15,164,557
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year, net of tax		27,535,381	15,164,557

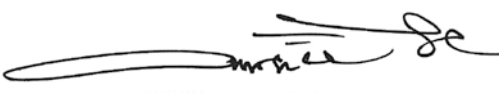
Statement of financial position as at 31 December 2023

ASSETS	Notes	2023 Ushs'000	Restated* 2022 Ushs'000	Restated* 2021 Ushs'000
Cash and balances with Bank of Uganda	17	130,328,392	99,282,113	42,004,960
Placements and deposits with other Banks	20	23,294,041	102,282,411	129,556,859
Government securities	19	183,266,957	156,868,788	30,750,452
Loans and advances to customers	22	602,596,870	479,522,825	454,864,620
Other assets	23	25,922,398	13,353,883	14,435,450
Receivables from business contracts	24	584,839	2,535,299	2,570,236
Intangible assets	25	19,186,631	12,667,535	5,835,577
Tax recoverable	16	1,099,696	-	-
Property and equipment	26	63,696,603	54,259,598	41,375,473
Right-of-use assets	27	20,758,424	22,674,648	21,076,831
TOTAL ASSETS		1,070,734,851	943,447,100	742,470,458
EQUITY AND LIABILITIES				
Liabilities				
Deposits from Banks	28	6,665,438	11,863,607	1,962,352
Customer deposits	29	789,826,515	689,053,152	507,293,304
Current income tax payable	16	-	791,020	918,203
Other liabilities	32	62,560,737	48,686,575	46,472,012
Borrowings	30	41,463,193	53,162,542	63,921,355
Deferred grants	31	913,739	1,185,217	1,678,100
Provisions	36 (a)	1,080,072	-	1,404,167
Deferred income tax liability	16 (c)	4,401,024	793,734	1,694,701
Total liabilities		906,910,718	807,829,951	25,344,194
Equity				
Share capital	33	133,335,812	113,569,025	98,006,879
Retained earnings		27,679,894	19,095,183	12,583,615
Regulatory credit risk reserve		-	-	3,438,315
Revaluation reserve	34	2,808,427	2,952,941	3,097,455
Total equity		163,824,133	135,617,149	117,126,264
TOTAL EQUITY AND LIABILITIES		1,070,734,851	943,447,100	742,470,458

The comparative information is restated on account of correction of errors. Refer to Note 42 to the financial statements.

The financial statements on pages 246 to 338 were authorised for issue by the Board of Directors on **04 April 2024** and signed on its behalf by:

Director



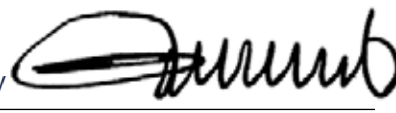
Director



Director



Secretary



The notes on page 250 to 380 are an integral part of these financial statements.

Statement of changes in equity as at 31 December 2023

	Share capital Ushs'000	Revaluation reserve Ushs'000	Regulatory credit risk reserve Ushs'000	Retained earnings Ushs'000	Total equity Ushs'000
Year ended 31 December 2022					
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
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 of excess depreciation to retained earnings	-	(144,514)	-	144,514	-
Transfer to 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
Year ended 31 December 2023					
At 1 January 2023	113,569,025	2,952,941	-	19,095,183	135,617,149
Other comprehensive income:					
Profit for the year	-	-	-	27,535,381	27,535,381
Total comprehensive income for the year	-	-	-	27,535,381	27,535,381
Transactions with owners:					
Issue of shares for cash (Note 33)	671,603	-	-	-	671,603
Issue of bonus shares (Note 33)	19,095,184	-	-	(19,095,184)	-
Transfer of excess depreciation to retained earnings	-	(144,514)	-	144,514	-
At 31 December 2023	133,335,812	2,808,427	-	27,679,894	163,824,133

The notes on pages 250 to 338 are an integral part of these financial statements.

Statement of cash flows for the year ended 2023

	Notes	2023 Ushs'000	Restated* 2022 Ushs'000
Cash flows from other operating activities			
Cash flows used in operating activities	38	(72,126,683)	(52,995,283)
Working capital changes in;			
➤ Receivables from business contracts		1,950,460	34,937
➤ Cash reserve requirement		(3,145,000)	(34,840,000)
➤ Loans and advances to customers	22 (a)	(137,150,094)	(30,839,634)
➤ Customer deposits	29	97,983,530	184,203,745
➤ Other assets	23	(8,194,792)	(1,532,604)
➤ Other liabilities	32	17,285,668	887,627
➤ Investment in government securities	19	(13,722,127)	(116,283,075)
➤ Due from other Banks	20	54,560,951	54,969,519
➤ Due to other Banks	28	(5,198,169)	9,901,255
Interest paid on borrowings	30	(6,281,080)	(4,298,857)
Interest paid on customer deposits		(19,472,668)	(22,209,524)
Interest received		159,284,714	102,749,402
Payment of interest on lease obligations	32 (b)	(1,096,319)	(1,413,340)
Payments made for litigations		(473,387)	(36,110)
Income tax paid	16 (b)	(6,662,144)	(4,824,778)
Net cash flows generated from operating activities		57,542,860	83,473,280
Cash flows from investing activities			
Purchase of property and equipment	26	(23,657,231)	(24,260,623)
Prepayments to right of use assets		(175,829)	(715,577)
Purchase of intangible assets	25	(6,534,016)	(4,671,787)
Proceeds from sale of property and equipment	26	207,637	3,027
Net cash flows used in Investing activities		(30,159,439)	(29,644,960)
Cash flows from financing activities			
Proceeds from grants	31	402,578	198,132
Repayments from grants	31	(571,727)	(423,479)
Repayments of borrowings	30	(11,448,347)	(10,573,065)
Repayment of principal component of lease liabilities	32 (b)	(5,371,288)	(4,060,079)
Issue of ordinary share capital	33	671,603	3,326,328
Net cash flows used in financing activities		(16,317,181)	(11,532,163)
Net increase in cash and cash equivalents		(11,066,240)	42,296,157
Cash and cash equivalents at the start of year		89,384,043	47,087,886
Effect of exchange rate fluctuation		(76,753)	-
Cash and cash equivalents at the end of year	18	100,373,530	89,384,045

*The comparative information is restated on account of correction of errors. Refer to Note 42 to the financial statements.

Notes to the Financial Statements

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, 2012 Laws of Uganda (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 IFRS Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards). 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 Accounting Standards 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.

Relevant newly effective standards and amendments adopted by the Bank during year.

The Bank adopted the following relevant standards during the year;

Standard/Amended standard	Effective date	Narration
➤ IFRS 17 - Insurance Contracts	Annual periods beginning on or after 1 January 2023.	This standard has no impact on the Bank's financial statements.
➤ Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice statement 2	The amendments were effective from 1 January 2023 but could be applied earlier.	The adoption of the standard did not have any impact on the financial statements of the Bank.
➤ Definition of Accounting Estimates – Amendments to IAS 8	The amendments were effective for periods beginning on or after 1 January 2023	The adoption of the standard did not have any impact on the financial statements of the Bank.
➤ Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 'Income Taxes'	The amendments were effective for periods beginning on or after 1 January 2023.	The adoption of the standard did not have any impact on the financial statements of the Bank.

Notes to the financial statements (continued)

3. Changes in accounting policies and disclosures (continued)

3.1 New and amended standards and interpretations.(continued)

Relevant newly effective standards and amendments adopted by the Bank during year (continued)

Standard/Amended standard	Effective date	Narration
<p>➤ International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12</p>	<p>The IASB introduced new disclosures, that companies are required to provide in their financial statements from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.</p>	<p>The adoption of the standard did not have any impact on the financial statements of the Bank as the Bank is not under a group setting and there is currently no regulation requiring accounting for the same.</p>
<p>➤ Classification of liabilities as current or non-current (Amendments to IAS 1).</p>	<p>Not yet effected.</p>	<p>This amendment is expected to have a material impact on the Bank as the Bank presents its financial statements using order of liquidity.</p>
<p>➤ Lease Liability in a Sale and Leaseback – Amendments to IFRS 16.</p>	<p>The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.</p>	<p>The amendments are not expected to have a material impact on the Bank as the Bank currently does not have any sale and lease back transactions.</p>
<p>➤ Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7</p>	<p>The amendments are effective for periods beginning on or after 1 January 2024.</p>	<p>The amendments are not expected to have a material impact on the Bank as the Bank currently does not have supplier financing arrangements.</p>
<p>➤ IFRS S1** General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2** Climate-related Disclosures.</p>	<p>The standards are effective from 1 January 2024, but it will be for individual jurisdictions to decide whether and when to adopt.</p>	<p>The Bank is currently assessing the impact of adoption of this standard on its financial statements.</p>
<p>➤ Lack of Exchangeability – Amendments to IAS 21.</p>	<p>The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.</p>	<p>The amendments are not expected to have a material impact on the Bank as the Bank currently does not have transactions in currencies where there is lack of exchangeability.</p>
<p>➤ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).</p>	<p>The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.</p>	<p>The amendments are not expected to have a material impact on the Bank because it's not under a group structure.</p>

4. Material 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 other comprehensive income (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.

Notes to the financial statements (continued)

4. Material accounting policies (continued)

4.2 Revenue from contracts with customers (continued)

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 2023. 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

Notes to the financial statements (continued)

4. Material accounting policies (continued)

4.4 Financial instruments (continued)

4.4.3 Day 1 profit or loss (continued)

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 fair value through profit or loss (FVTPL) or FVOCI.

(a) Financial instruments at amortised cost

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

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

(b) Business model assessment

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

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

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

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

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

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

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 effective interest rate (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.

Notes to the financial statements (continued)

4. Material accounting policies (continued)

4.4 Financial instruments (continued)

4.4.7. Derecognition of financial assets and liabilities (continued)

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 Accounting Standards 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 17), 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 6.4.6. 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 6.4.2). 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 6.4.3 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 6.4.4 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 6.4.5 for further details.

Notes to the financial statements (continued)

4. Material accounting policies (continued)

4.4 Financial instruments (continued)

4.4.9 Impairment of financial assets (continued)

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 6.4.8 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 12 months 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.

The 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.

Notes to the financial statements (continued)

4. Material accounting policies (continued)

4.4 Financial instruments (continued)

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.

- ✦ 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.

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.

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.

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.

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.

Notes to the financial statements (continued)

4. Material accounting policies (continued)

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.

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.

At inception of a contract, the Bank assesses whether the contract is, or contains a lease. A contract contains, a lease if it conveys the right

to control the use of an identified asset.

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments (excluding VAT and other non-lease components) are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Bank's incremental borrowing rate is used.

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, variable lease payment, 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 is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

The Bank presents in the financial statements the right-of-use assets and lease liabilities separately from other assets and other liabilities respectively.

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 revalued amounts 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%
Buildings	1.88%
Right of use asset	Over the shorter of the useful life and lease term.
Leasehold land	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.

Notes to the financial statements (continued)

4. Material accounting policies (continued)

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 authority. 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.

Notes to the financial statements (continued)

4. Material accounting policies (continued)

4.11 Income tax (continued)

(ii) Deferred tax

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 Bank 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 Bank'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.

4.15 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.

Notes to the financial statements (continued)

4. Material accounting policies (continued)

4.16 Dividends (continued)

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

Notes to the financial statements (continued)

4. Material accounting policies (continued)

4.19. Fair value (continued)

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.

Annually, the finance department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, the finance department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Finance department, in conjunction with the Bank's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

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

4.20. Contingent Liabilities

Contingent liabilities consist of guarantees, letters of credits and loan commitments to extend credit. These are accounted for as off-balance sheet items and disclosed as contingent liabilities. The Bank measures expected credit losses on these items, and they are recognised as liabilities.

4.21. Deposits

Customer deposits consist of current account accounts, savings accounts and fixed deposit accounts. These are disclosed as customer deposits and recognised as liabilities.

4.22. Comparatives

The Bank has consistently applied the accounting policies above to all periods presented in the financial statements except if otherwise mentioned.

Certain comparative figures in the statement of cash flows have been restated or reclassified to adjust for non-cash items and enable consistency in presentation of the balances (refer to Note 42).

5. Material 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

Notes to the financial statements (continued)

5. Material accounting judgements, estimates and assumptions (continued)

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 Bank's approved external independent valuers 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 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 17, 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.

	Notes	2023 Ushs'000	Restated 2022 Ushs'000
Financial assets			
<i>Measured at amortised cost:</i>			
Cash and balances with Bank of Uganda	17	130,328,392	99,282,113
Due from Banks	20	23,294,041	102,282,411
Debt instruments at amortised cost	19	183,266,957	156,868,788
Loans and advances to customers	22	602,596,870	479,522,825
Receivables from business contracts	24	584,839	2,535,299
Other assets*	23	20,462,146	5,702,770
		960,533,245	846,194,206
Financial liabilities			
<i>Financial liabilities measured at amortised cost:</i>			
Amount due to other Banks	28	6,665,438	11,863,607
Customer deposits	29	789,826,515	689,053,152
Lease liabilities	32(b)	17,330,363	23,861,484
Other liabilities**	32(a)	38,240,464	22,920,580
Borrowings	30	41,463,193	53,162,542
		893,525,973	800,861,365

*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

Notes to the financial statements (continued)

6. Financial risk management (continued)

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.

6. Financial risk management (continued)
6.1.1 Foreign exchange risk (continued)

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

At 31 December 2023		US dollar Ushs'000	Pound Sterling Ushs'000	Euro Ushs'000	Kshs Ushs'000	Tzs Ushs'000	Total Ushs'000
Assets							
Cash and Bank balances with the Central Bank		4,999,183	423,150	607,988	7,446	45	6,037,812
Due from Banks		1,131,779	236,461	144,998	77	-	1,513,315
Loans and advances to customers		1,519,689	-	-	-	-	1,519,689
Other assets		184	755	136	-	-	1,075
Total assets		7,650,835	660,366	753,122	7,523	45	9,071,891
Liabilities							
Customer deposits		5,055,265	21,549	150,836	-	-	5,227,650
Other Liabilities		1,506,322	-	35,726	-	-	1,542,048
Total liabilities		6,561,587	21,549	186,562	-	-	6,769,698
Net Exposure at 31 December 2023		1,089,247	638,817	566,560	7,523	45	2,302,192
At 31 December 2022							
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)

6. Financial risk management (continued)

6.1.1 Foreign exchange risk (continued)

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 %	Carrying Amount Ushs'000	2023 5% appreciation/ depreciation Ushs'000	Carrying Amount Ushs'000	2022 5% appreciation/ depreciation Ushs'000
Assets					
US dollar	+/-5%	7,650,835	382,542	5,773,506	288,675
Pound Sterling	+/-5%	660,366	33,018	300,369	15,018
Euro	+/-5%	753,121	37,656	728,414	36,421
Tshs	+/-5%	45	2	-	-
Kshs	+/-5%	7,523	376	3,222	161
		9,071,890	453,594	6,805,511	340,275
Liabilities					
US dollar	+/-5%	6,561,587	328,079	6,374,422	318,721
Pound Sterling	+/-5%	21,549	1,077	14,889	744
Euro	+/-5%	186,562	9,328	529,685	26,484
		6,769,698	338,484	6,918,996	345,949
Currency	Change in currency rate in %	Effect on profit before tax Ushs'000	2023 Effect on equity Ushs'000	Effect on profit before tax Ushs'000	2022 Effect on equity Ushs'000
Assets					
US dollar	+10%	108,925	76,247	(60,092)	(42,064)
Pound Sterling	+10%	63,882	44,717	28,548	19,984
Euro	+10%	56,656	39,659	19,873	13,911
Tshs	+10%	5	3	-	-
Kshs	+10%	752	527	322	226
		230,220	161,153	(11,349)	(7,943)

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.1.1 Foreign exchange risk (continued)

At 31 December 2023, if the Shilling had weakened/strengthened by 10% against the US dollar with all other variables held constant, pre-tax profit for the year would have been Ushs 108.9 million (2022: Ushs 60 million) higher/lower and Ushs 76 million (2021: Ushs 42 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 2023, if the interest rate had changed by 5%, post-tax profit for the year would have been Ushs 1,376 billion (2022: Ushs 758 million) higher/lower.

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

Notes to the financial statements (continued)
6. Financial risk management (continued)
6.1.2 Interest rate (continued)

At 31 December 2023	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 17)			-	-	130,328,392	130,328,392
Government securities (Note 19)	9,933	4,824	-	183,252,200	-	183,266,957
Placements and deposits with other Banks (Note 20)	-	23,294,041	-	-	-	23,294,041
Loans and advances to customers (Note 22)	28,341,543	88,417,037	380,158,010	105,680,280	-	602,596,870
Property plant & Equipment (Note 26)	-	-	-	-	63,696,603	63,696,603
Right of Use (Note 27)	-	-	-	-	20,758,424	20,758,424
Tax recoverable					1,099,696	1,099,696
Intangible Assets (Note 25)	-	-	-	-	19,186,631	19,186,631
Other assets (Note 23 & 24)	-	-	-	-	26,507,237	26,507,237
Total assets	28,351,476	111,715,902	380,158,010	288,932,480	261,576,983	1,070,734,851
Off-balance sheet items (Note 36 (b))						
Amounts guaranteed	-	805,974	3,135,509	-	-	3,941,483
Letters of Credit	-	1,680,078	-	-	-	1,680,078
Commitments	-	-	11,504,883	-	-	11,504,883
Total undiscounted commitments and guarantees		2,486,052	14,640,392	-		17,126,444
Liabilities						
Customer deposits (Note 29)	265,668,752	207,561,014	316,596,749	-	-	789,826,515
Amounts due to other Banks (Note 28)	6,665,438	-	-	-	-	6,665,438
Lease liabilities (Note 32 (b))	495,571	3,250,909	3,746,480	9,837,403	-	17,330,363
Other liabilities (Note 32)	-	-	-	-	46,310,449	46,310,449
Provisions (Note 36 (a))	-	-	-	-	1,080,072	1,080,072
Borrowings (Note 30)	8,621,567	6,377,343	21,806,054	4,658,229	-	41,463,193
Total liabilities	281,451,328	217,189,266	342,149,283	14,495,632	47,390,521	902,676,030
Interest repricing gap as at 31 December 2023	(253,099,852)	(102,987,312)	52,649,119	274,436,848	214,186,462	185,185,265
Interest repricing gap as at 31 December 2022	(99,549,545)	164,009,064	(129,154,433)	(39,032,033)		(103,726,947)

6.2. 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 Central Bank also requires the Bank maintain minimum cash reserve. The Bank also has a line of credit with Uganda Development Bank of Ushs 120bn to meet any liquidity gaps in case the strategies above are inadequate.

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.

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

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

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

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

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.2. Liquidity risk (continued)

6.2 (a) Compliance assessment for the Liquid assets ratio	2023	2022
	Ushs'000	Ushs'000
Total Liquid assets held(A) *	196,210,316	215,989,316
Weekly average deposits(B)	784,450,915	702,015,961
Total Liquid assets ratio(A/B)	25%	31%
Prudential requirement:	20%	20%

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

6.2 (b) Compliance assessment for the Liquidity Coverage Ratio

Stock of high-quality liquid assets

	Conversion Factor	2023 Ushs'000	2023 Ushs'000
Cash	100%	78,677,911	78,677,911
Balances with BOU	100%	49,420,399	49,420,399
Investment Securities maturing in 30 days	100%	9,926,072	9,926,072
Marketable Securities Maturing in 91 days	100%	-	-
Marketable Securities with maturity of more than 91 days	20%	-	-
Electronic money balances	100%	6,556,330	6,556,330
Total Value of stock of highly liquid assets		144,580,712	144,580,712
Cash outflows			
Savings and demand deposits(maturing in 30 days)	15%	119,426,268	17,913,940
Time deposits (maturing in 30 days)	100%	57,221,746	57,221,746
Due to Financial institutions in Uganda (Maturing in 30 days)	100%	5,346,211	5,346,211
Due to Financial institutions abroad (Maturing in 30 days)	100%	-	-
Other liabilities (maturing in 30 days)	100%	11,620,009	11,620,009
Off-balance sheet items	5%	12,084,723	604,236
Total cash outflows		205,698,958	92,706,143
Cash inflows			
Loans and advances (maturing in 30 days)	15%	19,476,039	2,921,406
Due from Financial institutions in Uganda (maturing in 30days)	100%	22,773	22,773
Due from Financial institutions abroad (maturing in 30days)	100%	1,490,541	1,490,541
Total cash inflows		20,989,353	4,434,720
Total cash net cash outflows=Total cash outflows minus min [total cash inflows,75% of gross outflows]		184,709,604	88,271,423
Liquidity Coverage ratio= (Total Value of stock of high-quality liquid assets/net cash outflows)			164%
Prudential Requirement			100%

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.2 (b) Compliance assessment for the Liquidity Coverage Ratio (continued)

Stock of high-quality liquid assets

	Conversion Factor	2022 Ushs'000	2022 Ushs'000
Cash	100%	38,791,642	38,791,642
Balances with BOU	100%	61,083,471	61,083,471
Investment Securities maturing in 30 days	100%	3,760,680	3,760,680
Marketable Securities Maturing in 91 days	100%	-	-
Marketable Securities with maturity of more than 91 days	20%	-	-
Electronic money balances	100%	2,574,872	2,574,872
Total Value of stock of highly liquid assets		106,210,665	106,210,665
Cash outflows			
Savings and demand deposits(maturing in 30 days)	15%	126,711,131	19,006,670
Time deposits (maturing in 30 days)	100%	8,812,768	8,812,768
Due to Financial institutions in Uganda (Maturing in 30 days)	100%	10,039,484	10,039,484
Due to Financial institutions abroad (Maturing in 30 days)	100%	-	-
Other liabilities (maturing in 30 days)	100%	8,351,791	8,351,791
Off-balance sheet items	5%	7,331,562	366,578
Total cash outflows		161,246,736	46,577,290
Cash inflows			
Loans and advances (maturing in 30 days)	15%	10,077,075	1,511,561
Due from Financial institutions in Uganda (maturing in 30days)	100%	14,927,466	14,927,466
Due from Financial institutions abroad (maturing in 30days)	100%	2,794,309	2,794,309
Total cash inflows		27,798,850	19,233,336
Total cash net cash outflows=Total cash outflows minus min [total cash inflows,75% of gross outflows]		133,447,886	27,343,954
Liquidity Coverage ratio= (Total Value of stock of high-quality liquid assets/net cash outflows)			388%
Prudential Requirement			100%

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.2 (b) Compliance assessment for the Liquidity Coverage Ratio (continued)

At 31 December 2023		On demand	Less than	3 to 12	1 to 5	Over	Total
Assets		Ushs'000	3 months	months	Years	5 years	Ushs'000
		Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Cash and Bank balances with Bank of Uganda		130,330,007	-	-	-	-	130,330,007
Government securities		9,669,774	197,798	16,176,385	-	183,252,200	209,296,157
Placements and deposits with other Banks		-	-	23,294,041	-	-	23,294,041
Loans and advances to customers		36,288,627	13,595,018	117,236,593	407,738,558	107,833,589	682,692,385
Receivables from business contracts		-	584,839	-	-	-	584,839
Other assets		2,723,158	4,084,736	19,114,504	-	-	25,922,398
Total assets		179,011,566	18,462,391	175,821,523	407,738,558	291,085,789	1,072,119,827
Off-balance sheet items							
Amounts guaranteed		-	805,974	1,633,844	1,501,665	-	3,941,483
Letters of Credit		-	1,680,078	-	-	-	1,680,078
Commitments		-	-	218,704	11,121,523	164,656	11,504,883
Total undiscounted commitments and guarantees		-	2,486,052	1,852,548	12,623,188	164,656	17,126,444
Liabilities							
Customer deposits		160,813,037	47,342,025	125,334,231	467,127,441	-	800,616,734
Amounts due to other Banks		6,665,438	-	-	-	-	6,665,438
Lease liabilities		-	495,571	3,250,909	15,787,155	1,985,600	21,519,235
Other liabilities		2,193,958	7,678,852	12,066,767	24,370,874	-	46,310,451
Borrowings		-	3,811,047	13,325,259	31,038,538	-	48,174,844
Total undiscounted financial liabilities		169,672,433	59,327,495	153,977,166	538,324,008	1,985,600	923,286,702
Net liquidity position		9,339,133	(43,351,156)	19,991,809	(143,208,638)	288,935,533	131,706,681

Notes to the financial statements (continued)
6. Financial risk management (continued)
6.2 (b) Compliance assessment for the Liquidity Coverage Ratio (continued)

At 31 December 2022	On demand	Less than 3 months	3 to 12 months	1 to 5 Years	Over 5 years	Restated* Total
Assets	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
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	14,998,174	20,490,402
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	30,263,565	813,150,276
Net liquidity position	(12,978,949)	18,188,104	154,563,590	(158,710,365)	30,720,069	16,904,737

6.3. 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.

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. The law allows for inclusion of subordinated debt while computing Tier 2 Capital. Tier 2 capital is also 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.

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.3. Capital management (continued)

Stock of high-quality liquid assets

	2023 Ushs'000	2022 Ushs'000
Core capital (Tier 1)		
Permanent shareholders' equity	133,335,812	113,569,025
Retained earnings	27,679,894	19,095,183
Less: intangible assets (Note 25)	(19,186,631)	(12,667,535)
Tier 1 capital	141,829,075	119,996,673
Supplementary capital (Tier 2)		
Revaluation reserve	2,808,427	2,952,941
Unencumbered general provisions for losses	6,113,431	4,859,658
Tier 2 capital	8,921,858	7,812,599
Total capital (Tier 1 +Tier 2)	150,750,933	127,809,272

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. As at 31 December 2023, the Bank complied with the regulatory capital requirement of Ush 120 billion.

6 .Financial risk management (continued)

6.3 Capital management (Continued)

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

Cash and balances with Bank of Uganda (Note 17)	130,328,392	99,282,113	0%	-	-
Government securities (Note 19)	183,266,957	156,868,788	0%	-	-
Placements and deposits with other Banks:	-	-			
Local Banks (Note 20)	21,803,500	99,488,102	20%	4,360,700	19,897,620
Foreign Banks (Rated B) (Note 20)	1,490,541	2,794,309	50%	745,271	1,397,155
Loans and advances to customers *	611,343,148	485,965,812	100%	611,343,148	485,965,812
Property and equipment (Note 26)	63,696,603	54,259,598	100%	63,696,603	54,259,598
Right of use assets (Note 27)	20,758,424	22,674,648	100%	20,758,424	22,674,648
Contract assets (Note 24)	584,839	2,535,299	100%	584,839	2,535,299
Tax recoverable (Note 16)	1,099,696	-	100%	1,099,696	-
Other assets (Note 23)	25,922,398	13,353,883	100%	25,922,398	13,353,883
Total assets	1,060,294,498	937,222,552		728,511,080	600,084,015

Off-Balance sheet (Note 36)

Contingent Claims secured by cash collateral	513,268	1,472,526	0%	-	-
Guarantees and acceptance	-	1,348,953	100%	-	1,348,953
Performance bonds	3,428,215	1,212,919	100%	1,714,108	606,440
Letters of credit	1,680,078	5,296,254	20%	336,016	1,059,251
Commitments	11,504,883	4,273,767	50%	5,752,441	2,136,884
Total Off-Balance sheet	17,126,444	13,604,419		7,802,565	5,151,528
Capital requirement basis	1,077,420,942	950,826,971		736,313,645	605,235,543
Market risk weighted assets	2,990,417	4,646,339	100%	2,990,417	4,646,339
Total Risk Adjusted Assets	1,080,411,359	955,473,310		739,304,062	609,881,882

FIA Capital Ratios

	2023	2022
Tier 1 capital	19.18%	19.68%
Tier 1 + Tier 2 capital	20.39%	20.96%
FIA ratios		
Core capital	12.5%	12.5%
Total capital	14.5%	14.5%

*Loans and advances are as per guidelines laid out in the FIA act: gross loans less suspended interest and specific provisions.

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.3. Capital management (continued)

Leverage ratio

	2023 Ushs'000	2022 Ushs'000
Core capital (Note 6.2)—A	141,829,072	119,996,673
Total assets (Note 6.2)	1,060,294,298	937,222,552
Off balance sheet items (Note 6.2)	17,126,444	13,604,419
Total assets and off-balance sheet items--B	1,077,420,742	950,826,971
Leverage ratio -C=A/B	13.16%	12.6%
Prudential requirement	6%	6%

For purposes of the capital adequacy computation, loans and advances were determined as follows:

	2023 Ushs'000	2022 Ushs'000
Gross loans	625,994,473	501,841,924
Specific provision*	9,213,916	10,349,932
Suspended interest	5,437,409	5,526,180
Net Loans per FIA	611,343,148	485,965,812

*Specific provision is computed based on guidance under the FIA act. All credit facilities classified as standard, doubtful or loss are subjected to specific provisions, regardless of whether the subjective or objective criteria were used in determining classification.

6.4 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.

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.4 Credit risk (continued)

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 the total capital.

6.4.1. 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

6.4.2. 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 unlikelihood 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.

6.4.3. 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,

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.4 Credit risk (continued)

6.4.3. The Bank's internal rating and PD estimation process (continued)

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.

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

(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.

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.4 Credit risk (continued)

6.4.3. The Bank's internal rating and PD estimation process (continued)

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%

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.4 Credit risk (continued)

6.4.4 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.

6.4.5. 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

6.4.6. 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 6.4.8 below), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

6.4.7. 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).

6.4.8. 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.

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.4 Credit risk (continued)

6.4.8. Analysis of inputs to the ECL model under multiple economic scenarios (continued)

	2023			2022		
At 31 December	Base Case	Optimistic Case	Pessimistic Case	Base Case	Optimistic Case	Pessimistic Case
Scenario						
Probability	40%	20%	40%	40%	20%	40%
Weighting						

6.4.9 (a) Inputs, assumptions and techniques used for estimating impairment

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

The Key drivers for credit risk are GDP, imports of goods and services, consumption, and demand.

The table below shows macro-economic assumptions used over a 5-year period and year on year percentage change;

As at 31 December 2023	Nominal GDP, LCU	Imports of goods and services	Total final consumption	Total domestic demand
Base line assumptions				
5 year average	8%	17%	9%	11%
Peak	11%	36%	14%	26%
Best economic assumptions				
5 year average	9%	14%	11%	13%
Peak	13%	30%	17%	30%
Worst economic assumptions				
5 year average	7%	20%	8%	9%
Trough	10%	43%	12%	21%

As at 31 December 2022	Real GDP, per capita, LCU	Nominal GDP per capita, LCU	Government final consumption	Total domestic demand
Base line economic assumptions				
5 year average	1%	(6%)	6%	2%
Peak	4%	9%	25%	3%
Best economic assumptions				
5 year average	1%	(6%)	8%	2%
Peak	4%	11%	33%	3%
Worst economic assumptions				
5 year average	1%	(5%)	4%	2%
Trough	(4%)	8%	16%	3%

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.4 Credit risk (continued)

6.4.9 (b) Inputs, assumptions and techniques used for estimating impairment

Sensitivity of ECLs to future economic conditions

The table below shows the loss allowance on loans and advances to customers assuming each forward-looking scenario (e.g. best, baseline and worst) were weighted at 100% instead of applying scenario probability weights across the three scenarios.

	2023 Ushs '000			2022 Ushs '000		
	Best	Baseline	Worst	Best	Baseline	Worst
Gross exposure						
Agriculture loans	161,031,801	161,031,801	161,031,801	106,209,927	106,209,927	106,209,927
Business loans	172,802,876	172,802,876	172,802,876	127,318,862	127,318,862	127,318,862
Personal loans	269,418,983	269,418,983	269,418,983	243,676,038	243,676,038	243,676,038
Group loans	5,382	5,382	5,382	75,323	75,323	75,323
Staff loans	13,105,320	13,105,320	13,105,320	13,665,474	13,665,474	13,665,474
Loss allowance						
Agriculture loans	70,564	73,676	76,918	81,613	82,708	83,873
Business loans	77,369	82,630	88,207	391,725	394,140	396,905
Personal loans	12,779,525	13,882,923	15,076,715	11,591,222	11,898,760	12,221,285
Group loans	23	25	27	3,673	3,706	3,741
Staff loans	133,804	139,415	145,543	208,634	210,580	212,620

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.

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

For the year ended 31 December 2023, modification losses/gains were found immaterial and not recognised in the financials (2022: 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).

6.4.10 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 tables on the following pages show the maximum exposure to credit risk by class of

financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

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:

- f) Charge over land and developments thereon
- g) Charge over motor vehicles.
- h) Charge over cash and Bank deposits.
- i) Personal and corporate guarantees.
- j) Charge over fixed and floating debentures, among others.

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

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

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

6. Financial risk management (Continued)
6.4. Credit risk (continued)
6.4.10 Collateral and other credit enhancements (continued)

Type of collateral or credit enhancement

31 December 2023

Financial assets	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
Cash and balances with Bank of Uganda (Note 17)	130,328,392	-	-	-	-	130,328,392	1,614
Placements and deposits with other Banks (Note 20)	23,294,041	-	-	-	-	23,294,041	96,077
Government securities (Note 19)	183,266,957	-	-	-	-	183,266,957	605,265
Other assets	21,046,985	-	-	-	-	21,046,985	8,768
Loans and advances to customers							
Agricultural Loans (Note 22)	163,538,815	560,762	484,983,318	-	485,544,080	322,005,265	1,847,413
Business Loans (Note 22)	175,381,129	5,010,833	518,309,481	-	523,320,314	347,939,185	1,588,486
Group loans (Note 22)	5,471	575	6,611	-	7,186	1,715	15,727
Personal Loans (Note 22)	272,604,264	1,621,890	88,145,751	-	89,767,641	182,836,623	14,915,388
Staff Loans (Note 22)	13,293,750	-	18,613,845	-	18,613,845	5,320,095	249,796
Total financial assets at amortised cost	982,759,804	7,194,060	1,110,059,006	-	1,117,253,066	850,366,012	19,328,534
Off balance sheet items							
Financial guarantees (Note 36 (a))	3,428,215	513,268	3,122,759	-	3,636,027	207,812	1,982
Letters of credit	1,680,078	-	15,530	-	15,530	1,664,548	-
Undrawn commitments	11,504,883	-	13,810,872	-	13,810,872	2,305,989	5,864
Total on and off-balance sheet	16,613,176	513,268	16,949,161		17,462,429	4,178,329	7,846

Notes to the financial statements (continued)

6. Financial risk management (continued)

6.4 Credit risk (continued)

6.4.11 Credit risk (continued)

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

LTV	2023 Ushs'000	2022 Ushs'000
Less than 50%	414,492,318	360,626,751
51-70%	77,167,921	15,005,456
71-90%	47,526,902	9,013,402
91-100%	18,396,100	4,343,534
More than 100%	67,240,186	111,748,230
Total	624,823,427	500,737,373

6.4.12 Reconciliation of changes in the net credit carrying amount of impaired loans

Credit impaired loans are graded 3-5, representing sub-standard, doubtful and loss respectively using the Bank's internal rating system.

The following table sets out a reconciliation of changes in the net carrying amount of credit impaired loans and advances to customers.

	2023 Ushs'000	2022 Ushs'000
Credit impaired loans and advances to customer 1 January	36,722,459	36,745,685
Change in ECL allowance	(1,939,940)	(4,029,940)
Classified as credit impaired during the year	4,881,708	13,354,480
Transferred to not credit impaired during the year	(7,911,595)	(9,353,916)
Recoveries of amounts previously written off	200	6,150
Disposals/written offs	(5,641)	-
Credit impaired loans and advances to customers 31 December	31,747,191	36,722,459

7. Interest income	2023 Ushs'000	2022 Ushs'000
Arising on:		
Debt instruments	37,314,865	8,164,830
Loans and advances to customers	120,597,891	105,244,682
Placements with other Banks	9,304,351	12,513,058
Total interest income calculated using effective interest rate method	167,217,107	125,922,570

Notes to the financial statements (continued)

7. Interest income (continued)

Interest income is recognised over a period of time.

8. Interest expense	2023 Ushs'000	2022 Ushs'000
Savings accounts	10,726,715	4,770,561
Fixed deposits	11,535,786	14,995,066
Interest on borrowings (note 30)	6,030,078	4,113,109
Finance charge on leases (note 32 (b))	1,096,319	1,413,340
	29,388,898	25,292,076

The amounts reported above include interest income and expense calculated under the effective interest method that relate to the following financial assets and liabilities.

9. Fee and commission income

A disaggregation of fees and commission income; The table below shows a disaggregation of fees and commission income from customers by major service lines.

	2023 Ushs'000	2022 Ushs'000
Commission on EFTs, Swifts and RTGS transfers	4,084,753	2,355,361
ATM related fees and commission	3,053,696	2,213,852
Transactional fees and commission	2,934,102	3,037,336
Commission on guarantees, bonds, and letters of credit	380,045	175,413
Agency Banking fees	1,959,515	1,596,627
Fees from contracts with customers	6,808,139	9,116,565
Money transfer commissions	2,121,750	1,846,451
Ledger fees	8,331,199	6,786,892
Other fees and commission*	1,917,263	2,332,144
	31,590,462	29,460,641
Fee and commission expense		
Wendi agent commission expense**	(126,814)	-
Agency Banking expenses	(1,121,073)	-
Total fee and commission expense	(1,247,887)	-
Net fee and commission income	30,342,575	29,460,641

*Other fees and commission includes wendi related commission fees, commission fees, commission postal pay, cheque handling fees, certificate of balance, audit confirmation request among others.

**The Bank pays out commission to wendi agents that extend Banking services to both PostBank Uganda Limited customers and non PostBank Uganda Limited customers.

The figure exclude amounts incorporated in determining the effective interest rate on the respective financial instruments.

Notes to the financial statements (continued)
9. Fee and commission income (continued)

Type of service	Nature of timing of satisfaction of performance obligation, including significant payment terms	Revenue recognition policies under IFRS15
Fees from contracts with customers.	The Bank provides Banking services to retail and, business & institutional customers, including account management, commission income obtained from making field payments to World Food Programme (WFP), Redcross, Danish Refugee council (DRC) provision of overdraft facilities, foreign currency transactions, credit card and servicing fees.	Revenue from account service and servicing fees is recognised over time as the services are provided.
Money transfer fees, commission on EFTs, Swifts and RTGs, Agency Banking fees, ATM fees, transactional fees, commission on guarantees, bonds and letters of credit, credit related fees and commissions.	<p>Fees for ongoing account management are charged to the customer's account on a monthly basis.</p> <p>Transaction-based fees for interchanged, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.</p> <p>Periodic servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.</p> <p>The Bank has contracts to pay persons of concerns with World Food program and Danish Refugee Council and earns fees for this service.</p>	Revenue related to transactions is recognised at the point in time when the transaction takes place.

10. Net trading income

	2023 Ushs'000	2022 Ushs'000
Foreign currency trading income	2,331,417	2,576,671
Unrealised foreign exchange loss	(78,354)	(321,163)
Other trading income*	6,181,793	-
	8,434,856	2,255,508

*Other trading income relates to income generated from the sale of bonds by the Bank to meet liquidity requirements. There were no financial instruments held at FVTPL.

Notes to the financial statements (continued)

11. Other operating income	2023 Ushs'000	2022 Ushs'000
Profit on disposal of assets	153,446	-
Grant income released to profit or loss (Note 31)	109,072	267,535
Other income	132,426	1,359,264
	394,944	1,626,799

12. Impairment losses on financial instruments		
Balances with central Bank (Note 17)	1,019	167
Government securities (Note 19)	308,393	275,451
Placements with Banks (Note 20)	(185,072)	(45,750)
Loans and advances to customers (Note 22)	12,779,353	14,070,642
Contract assets (Note 24)	(429,390)	(3,070)
Financial guarantees and commitments (Note 36)	(33,806)	37,733
Recovery of written off loans	(3,338,785)	(3,611,702)
	9,101,712	10,723,471

13. Employee benefits expense	2023 Ushs'000	2022 Ushs'000
Wages and salaries**	39,490,762	34,267,640
Pension and retirement benefits*	7,247,932	5,742,793
Staff welfare	5,169,201	4,451,899
Subsistence allowance	1,705,173	1,144,122
Amortisation of deferred benefits on staff loans	573,083	426,651
Staff allowances and incentive costs	6,254,589	3,754,077
	60,440,740	49,787,182

*The Bank established a contributory scheme for the welfare and financial security of its employees at retirement, death, termination, or loss of employment. The Bank contributes an equivalent of 5% of one's basic pay for all staff who have subscribed to the provident fund and with contributions of at least 5% of their monthly basic salary. A staff is however at liberty to make monthly contributions exceeding 5% of their basic monthly salary.

14. Depreciation and amortisation	2023 Ushs'000	2022 Ushs'000
Depreciation on property and equipment (Note 26)	9,589,227	6,362,956
Depreciation on right of use assets (Note 27)	4,319,942	4,584,991
Amortisation of intangible assets (Note 25)	4,261,366	2,153,218
	18,170,535	13,101,165

15. Other operating expenses		
Utilities	1,772,605	1,572,285
Maintenance costs	3,415,718	3,619,143
Stationery and supplies	1,985,824	1,556,685
Office expenses	5,412,134	4,083,783
Security expenses	3,062,320	2,834,814
Sales expenses	2,767,101	3,057,764
Computer expenses*	11,568,701	8,310,213
Audit fees	208,141	208,409
Other professional expenses	2,555,986	1,298,567
Motor vehicle, generator and fuel expenses	3,048,260	1,919,854
Travel expenses	2,221,327	1,265,185
Marketing expenses	4,408,323	2,068,468
Communication costs	604,081	203,253
Bank charges	374,196	222,212
Directors' expenses	2,074,275	1,199,995
Operational losses	342,775	69,015
Credit Reference Bureau & recovery expenses	446,782	371,905
Deposit protection fees	1,212,674	1,106,282
Other operating costs	5,222,576	2,046,833
Agency Banking costs	-	890,572
Loss on disposal of fixed assets	245,756	146,786
Prepaid card costs	735,674	417,576
Contract expenses**	1,188,639	1,430,470
	54,873,868	39,900,069

*Computer expenses consist of ICT related licenses and connectivity.

**Contract expenses are field costs incurred in providing services under contracts with partners.

Notes to the financial statements (continued)

16. Taxes

(a) Current income tax expense

	2023 Ushs'000	2022 Ushs'000
Current income tax	4,771,428	4,697,595
Deferred income tax charge	2,106,920	599,403
	6,878,348	5,296,998

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:

Profit before income tax	34,413,728	20,461,554
Tax calculated at statutory tax rate of 30%	10,324,118	6,138,467
Tax effects of:		
Expenses not deductible for tax, and incomes not taxed at 30%	(10,067,946)	(1,848,285)
Prior year under provision of deferred tax*	1,850,748	-
Income taxed at 10%	390,209	842,365
Income taxed at 20%	4,381,219	164,451
Income tax expense	6,878,348	5,296,998

*The prior year under provision of deferred tax relates to derecognition of branch refurbishments as non-qualifying for capital allowances.

(b) Current income tax (receivable)/payable

At start of year	791,020	918,203
Current income tax charge for the year	4,771,428	4,697,595
Income tax paid	(6,662,144)	(4,824,778)
At end of year	(1,099,696)	791,020

(c) Deferred income tax liability

	At start of year Ushs'000	Charge to profit or loss Ushs'000	At end of year Ushs'000	Deferred tax assets Ushs'000	Deferred tax liabilities Ushs'000
Year ended 31 December 2023					
Deferred income tax liabilities					
Accelerated depreciation on Property, Plant and Equipment, and Right of Use Asset	(2,964,307)	6,230,275	3,265,968	-	3,265,968
Revaluation of assets	1,309,551	(105,940)	1,203,611	-	1,203,611
	(1,654,756)	6,124,335	4,469,579	-	4,469,579

Notes to the financial statements (continued)

16. Taxes (continued)

(c) Deferred income tax liability (continued)

Deferred income tax assets					
Lease liabilities	7,158,445	(1,795,717)	5,362,728	-	5,362,728
Provisions	(238,120)	(85,901)	(324,021)	(324,021)	-
Tax loss	-	(1,108,554)	(1,108,554)	(1,108,554)	-
Loan loss provisions	(2,004,536)	(769,753)	(2,774,289)	(2,774,289)	-
Provision for bonus	(480,000)	(313,072)	(793,072)	(793,072)	-
Provision for leave	(23,191)	(22,569)	(45,760)	(45,760)	-
Unrealised foreign exchange losses	(146,205)	(23,506)	(169,711)	(169,711)	-
Impairment provisions on other financial assets	(317,533)	101,657	(215,876)	(215,876)	-
	3,948,860	(4,017,415)	(68,555)	(5,431,283)	5,362,728
Net deferred income tax liability	2,294,104	2,106,920	4,401,024	5,431,283)	9,832,307

c) Deferred income tax liability	At start of year Ushs'000	Charge to profit or loss Ushs'000	At end of year Ushs'000	Deferred tax assets Ushs'000	Deferred tax liabilities Ushs'000
Year ended 31 December 2022					
Deferred income tax liabilities					
Accelerated depreciation on property and equipment, and right of use assets	8,460,962	2,891,620	11,352,582	-	11,352,582
Deferred tax on revaluation of assets	1,352,905	(43,354)	1,309,551	-	1,309,551
Deferred income tax assets					
Lease liabilities	(6,673,139)	(485,305)	(7,158,444)	(7,158,444)	-
Provisions	(865,443)	(124,131)	(741,312)	(741,312)	-
Loan loss provisions	(338,032)	(1,666,504)	(2,004,536)	(2,004,536)	-
Unrealised foreign exchange differences	(4,602)	(141,602)	(146,204)	(146,204)	-
Impairment provisions on other financial assets	(237,950)	(79,583)	(317,533)	(317,533)	-
Net deferred income tax liability	1,694,701	599,403	2,294,104	10,368,029	12,662,133

17. Cash and balances with Bank of Uganda

	2023 Ushs'000	2022 Ushs'000
Cash at hand	82,274,665	38,008,374
Balances with Bank of Uganda*	48,055,341	61,274,334
	130,330,006	99,282,708
Provision for expected credit losses	(1,614)	(595)
	130,328,392	99,282,113

*These are cash balances available for use by the Bank after taking into consideration minimum cash reserve requirements.

Notes to the financial statements (continued)

17. Cash and balances with Bank of Uganda (continued)

Movement in impairment of cash and balances with Bank of Uganda	2023 Ushs'000	2022 Ushs'000
As at January 1	595	428
Increase in provision (Note 12)	1,019	167
As at December 31	1,614	595

*The prior year under provision of deferred tax relates to derecognition of branch refurbishments as non-qualifying for capital allowances.

18. Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents comprises the following:

Cash and balances with Bank of Uganda	2023 Ushs'000	Restated* 2022 Ushs'000
Cash and balances with Bank of Uganda	130,330,006	99,282,708
Mobile money float (Note 23)	6,409,591	2,465,257
Placements and deposits due from other Banks	1,618,933	22,476,078
Minimum cash reserve requirement*	(37,985,000)	34,840,000
	100,373,530	89,384,043

*The Bank is required to maintain minimum cash reserve balances for a period of 14 days as shared by the regulator. For the period ended 31 December 2023, the Bank was required to maintain a minimum of Ush.75.97 billion (2022: Ushs 69.68 billion) provided the daily balances don't fluctuate below 50% of the minimum. However, the average for the 14 days should comply with the minimum regulatory requirement. There was no reserve requirement in 2021 as the Bank was transitioning from tier 2 to tier 1.

19. Government securities

	2023 Ushs'000	2022 Ushs'000
Treasury bills	14,776,907	17,500,664
Treasury bonds	169,095,315	139,664,996
Provision for expected credit losses	(605,265)	(296,872)
	183,266,957	156,868,788

Movement in impairment of government securities

	2023	2022
As at January 1	296,872	21,421
Increase in provision (Note 12)	308,393	275,451
As at 31 December	605,265	296,872

Government securities are debt securities issued by Bank of Uganda for a term of three months, six months or one year for treasury bills and two, three, five, ten, fifteen and twenty years for treasury bonds. The weighted average effective interest rates on treasury bills and bonds were 9.58% and 17.39% respectively. (2022: 13.87% and 18.3%). None of the government securities held by the Bank carries a tenor of 90 days or less. All government securities held by the Bank are measured at amortised cost.

The carrying amount of these instruments are held to maturity at amortised costs. 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	2023 Ushs'000	2022 Ushs'000
Placements with other Banks	21,771,185	94,881,886
Deposits due from other Banks	1,618,933	7,681,674
	23,390,118	102,563,560
Provision for expected credit losses	(96,077)	(281,149)
	23,294,041	102,282,411

The Bank applied Standard and Poor and country ratings to evaluate the credit worthiness of the counter parties for the instruments that were held as at 31 December 2023.

The weighted average effective interest rate on deposits from other Banks was 10.12% (2022:13.46%). 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 placements and deposits due from other Banks were classified in stage 1.

Movement in impairment of placements and due from other Banks	2023 Ushs'000	2022 Ushs'000
As at January 1	281,149	326,899
Decrease in provision (Note 12)	(185,072)	45,750
As at December 31	96,077	(281,149)

Detailed breakdown of placements and deposits due

CitiBank Uganda Limited	23,628	6,493
Stanbic Bank Uganda Limited	82,975	4,786,712
Centenary Rural Development Bank	21,788	94,160
KCB Bank Uganda Limited	-	10,072,485
Equity Bank Uganda Limited	-	35,070,647
United Bank for Africa	-	5,008,219
NCBA Bank Uganda Limited	-	2,605,589
Opportunity Bank Uganda Limited	-	10,973,152
Pride Microfinance Limited	15,630,733	25,245,705
Finca Uganda Limited	6,140,453	5,906,089
Sparkasse Aachen Bank	1,490,541	2,794,309
	23,390,118	102,563,560

Notes to the financial statements (continued)

21. Movement in regulatory credit risk reserve	2023 Ushs'000	2022 Ushs'000
Bank of Uganda impairment provision (a)		
Specific provisions as per regulations **	9,213,917	10,349,932
General provisions as per regulations**	6,113,431	4,859,658
	15,327,348	15,209,590
IFRS expected credit losses (b)		
Stage 3	9,926,161	8,642,978
Stage 2	2,743,529	2,686,842
Stage 1	5,947,123	5,701,900
	18,616,813	17,031,720
Regulatory credit risk reserve [(a) – (b)] *	(3,289,465)	(1,822,130)

*The regulatory credit risk reserve relates to the excess of BOU impairment provisions over IFRS 9 impairment provisions. As at 31 December 2023, the Bank held higher IFRS 9 impairment provisions on loans thus no transfers were made to regulatory credit risk reserves.

**The regulations include both the Financial Institutions Act, 2004 (as amended 2016) Laws of Uganda and the Micro Finance and Deposit taking Institutions Act.

22. Loans and advances to customers	2023 Ushs'000	2022 Ushs'000
a) Gross Loans		
Agricultural loans	163,538,813	108,328,249
Business loans	175,381,129	129,858,194
Group loans	5,471	76,827
Personal loans	272,604,264	248,536,074
Staff loans	13,293,750	13,938,029
Gross loans and advances	624,823,427	500,737,373
Less allowance for expected credit losses	(18,616,813)	(17,031,720)
Discount on staff loans-marked to market (Note 23)	(3,609,744)	(4,182,828)
	602,596,870	479,522,825
(b) Impairment allowance for loans and advances to customers		
At 1 January	17,031,720	13,571,180
Impaired accounts written off	(11,194,260)	(10,610,102)
Increase in provisions for the year (Note 12)	12,779,353	14,070,642
At 31 December	18,616,813	17,031,720

Notes to the financial statements (continued)

22. Loans and advances to customers (continued)

(c) Impairment allowance for loans and advances to customers (continued)

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 2023 and 31 December 2022. 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 2023	412,997,457	50,261,350	37,478,566	500,737,373
Disbursements	317,824,036	9,551,660	-	327,375,696
Repayments	(154,646,490)	(17,398,987)	(20,049,905)	(192,093,382)
Transfers to Stage 1	3,308,910	(2,502,066)	(806,844)	-
Transfers to Stage 2	(16,448,843)	18,615,679	(2,166,836)	-
Transfers to Stage 3	(14,285,911)	(11,935,815)	26,221,726	-
Other adjustments/ write-offs	(34,255)	(27,307)	(11,132,698)	(11,194,260)
At 31 December 2023	548,714,904	46,564,514	29,544,009	624,823,427
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
(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 2023	82,195,943	12,092,319	14,039,987	108,328,249
Disbursements	116,223,898	3,808,995	-	120,032,893
Repayments	(49,355,158)	(6,245,338)	(6,013,133)	(61,613,629)
Transfers to Stage 1	279,962	(226,105)	(53,857)	-
Transfers to Stage 2	(4,190,248)	4,446,619	(256,371)	-
Transfers to Stage 3	(4,906,007)	(2,933,771)	7,839,778	-
Write-offs during the year	(15,747)	-	(3,192,953)	(3,208,700)
At 31 December 2023	140,232,643	10,942,719	12,363,451	163,538,813

Notes to the financial statements (continued)

22. Loans and advances to customers (continued)

(c) Impairment allowance for loans and advances to customers (continued)

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)	(2,417,053)
At 31 December 2022	82,195,943	12,092,319	14,039,987	108,328,249

(d) Impairment allowance for loans and advances to customers

Corresponding ECLs:	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
ECLs as at 1 January 2023	26,499	(11,740)	1,872,633	1,887,392
ECL Movements	30,975	2,355	(24,678)	8,652
Transfers to Stage 2	(15)	15	-	-
Transfers to Stage 3	(274)	(238)	512	-
Write-offs during the year	-	-	(48,631)	(48,631)
At 31 December 2023	57,185	(9,608)	1,799,836	1,847,413

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

Notes to the financial statements (continued)
22. Loans and advances to customers (continued)

(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 2023		86,438,224	27,563,057	15,856,913	129,858,194
Disbursements		104,919,472	2,899,001	-	107,818,473
Repayments		(39,708,748)	(7,661,308)	(9,668,203)	(57,038,259)
Transfers to Stage 1		650,853	(548,454)	(102,399)	-
Transfers to Stage 2		(5,874,606)	7,469,567	(1,594,961)	-
Transfers to Stage 3		(4,018,253)	(5,940,642)	9,958,895	-
Write-offs during the year		-	(27,307)	(5,229,972)	(5,257,279)
At 31 December 2023		142,406,9421	23,753,914	9,220,273	175,381,129
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
Corresponding ECLs:		47,228	(8,033)	2,271,004	2,310,199
ECLs as at 1 January 2023					
ECL Movements		28,529	(18,345)	(466,973)	(456,789)
Transfers to Stage 1		2,135	(1,034)	(1,101)	
Transfers to Stage 2		(469)	4,834	(4,365)	-
Transfers to Stage 3		(1,405)	(875)	2,280	-
Write-offs during the year		-	-	(264,923)	(264,923)
At 31 December 2023		76,018	(23,453)	1,535,922	1,588,487
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		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

Notes to the financial statements (continued)

22. Loans and advances to customers (continued)

(iv) Group 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 2023	31,075	7,927	37,825	76,827
Repayments	(25,617)	(7,927)	(37,812)	(71,356)
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Other adjustments/ write-offs	-	-	-	-
At 31 December 2023	5,458	-	13	5,471
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
Corresponding ECLs:	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Particulars				
ECLs as at 1 January 2023	15,280	(14,693)	32,280	32,867
ECL Movements	(132)	(433)	(16,576)	(17,141)
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Other adjustments/ write-offs	-	-	-	-
At 31 December 2023	15,148	(15,126)	15,704	15,726
Corresponding ECLs:	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
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

Notes to the financial statements (continued)
22. Loans and advances to customers (continued)

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 2023	231,714,666	10,383,473	6,437,935	248,536,074
Disbursements	93,012,347	2,843,664	-	95,856,011
Repayments	(62,077,294)	(3,448,849)	(3,886,999)	(69,413,142)
Transfers to Stage 1	2,212,318	(1,727,507)	(484,811)	-
Transfers to Stage 2	(6,360,336)	6,675,840	(315,504)	-
Transfers to Stage 3	(4,912,803)	(3,009,454)	7,922,257	-
Write-offs during the year	(18,508)	-	(2,356,171)	(2,374,679)
At 31 December 2023	253,570,390	11,717,167	7,316,707	272,604,264

Particulars

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:

ECLs as at 1 January 2023	6,044,880	2,235,770	4,219,797	12,500,447
ECL Movements	(305,968)	1,128,572	3,432,702	4,255,306
Transfers to Stage 1	747,982	(462,622)	(285,360)	-
Transfers to Stage 2	(139,028)	220,453	(81,425)	-
Transfers to Stage 3	(110,609)	(811,910)	922,519	-
Write-offs during the year	(305)	-	(1,840,060)	(1,840,365)
At 31 December 2023	6,236,952	2,310,263	6,368,173	14,915,388

	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

Notes to the financial statements (continued)**22. Loans and advances to customers (continued)****(vi) Staff loans**

Particulars	Stage 1 Collective Ushs'000	Stage 2 Collective Ushs'000	Stage 3 Ushs'000	Total Ushs'000
Gross carrying amount as at 1 January 2023	12,617,546	214,577	1,105,906	13,938,029
Disbursements	3,668,319	-	-	3,668,319
Repayments	(3,479,672)	(34,567)	(444,756)	(3,958,995)
Transfers to Stage 1	165,778	-	(165,778)	-
Transfers to Stage 2	(23,653)	23,653	-	-
Transfers to Stage 3	(448,848)	(51,948)	500,796	-
Other adjustments/ write-offs	-	-	(353,603)	(353,603)
At 31 December 2023	12,499,470	151,715	642,565	13,293,750
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	(5,695,347)	(108,727)	(200,060)	(6,004,134)
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
Corresponding ECLs:				
ECLs as at 1 January 2023	55,910	(2,360)	247,265	300,815
ECL Movements	(15,991)	(4,086)	52,309	32,232
Transfers to Stage 1	10,305	-	(10,305)	-
Transfers to Stage 3	(504)	-	504	-
Write-offs during the year	-	-	(83,248)	(83,248)
At 31 December 2023	49,720	(6,446)	206,525	249,799
	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

23. Other assets

	2023 Ushs'000	2022 Ushs'000
Prepayments	2,452,021	2,793,064
Consumables	313,033	490,071
Other accounts receivable*	12,952,859	3,237,513
Mobile money float	6,409,591	2,465,257
Prepaid employee benefits	3,609,744	4,182,828
Security deposits	185,150	185,150
	25,922,398	13,353,883

*Other receivables majorly includes Wendi Ewallet related balances.

The Bank assessed other assets subject to credit risk for impairment and found the amount to be immaterial for expected credit losses as at 31 December 2023 and 2022. Prepayments, consumables and Prepaid employee benefits don't qualify as financial assets. The expected credit loss on Mobile money balances and other receivables balance was assessed and found to be immaterial.

24. Receivables from business contracts

Commission receivable from contract assets	593,625	2,973,475
Provision for expected credit losses	(8,786)	(438,176)
	584,839	2,535,299

The Bank has contracts to pay persons of concerns with World Food program and Danish Refugee Council. The Bank earns fees for this service. During the period, the Bank received Ush 2 billion reimbursement from Rural Electrification Agency.

Movement in impairment for contract assets

As at January 1		
Decrease in provision (Note 12)	438,175	441,245
As at 31 December	(429,389)	(3,070)
	8,786	438,175

25. Intangible assets

Cost	20,884,432	11,899,256
At 1 January	6,534,016	4,671,787
Additions	4,246,446	4,313,389
Transfers from work in progress	(200,172)	-
Write offs		
	31,464,722	20,884,432
At 31 December		
Amortisation		
At 1 January	8,216,897	6,063,679
Charge for the year	4,261,366	2,153,218
Write-offs	(200,172)	-
At 31 December	12,278,091	8,216,897
Net carrying amount at 31 December	19,186,631	12,667,535

Intangible assets consist of: mobile wallet software, finacle core Banking system, ATM switch upgrade, smart reconciliation application tool, centralised accounts opening tool among others.

26. Property and equipment

Cost / Valuation	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
At 1 January 2023	10,518,387	37,740,358	26,990,653	10,043,641	9,210,610	94,503,649
Additions*	-	7,259,095	7,295,360	3,681,200	3,102,249	21,337,904
Additions-branches	930,858	1,388,469	-	-	-	2,319,327
Transfers from WIP	1,072,884	2,095,129	1,744,579	-	(4,912,592)	-
Transfer to intangibles	-	-	-	-	(4,246,446)	(4,246,446)
Disposals	-	(530,542)	(2,463,186)	(993,415)	-	(3,987,143)
Write offs	-	(3,836,130)	(6,774,963)	(1,647,062)	(51,572)	(12,309,727)
At 31 December 2023	12,522,129	44,116,379	26,792,443	11,084,364	3,102,249	97,617,564
Depreciation						
At 1 January 2023	1,250,896	17,650,787	14,120,614	7,221,754	-	40,244,051
Transfer to right-of-use asset	(77,998)	-	-	-	-	(77,998)
Charge for the year	225,537	4,042,366	3,880,398	1,440,926	-	9,589,227
Disposals	-	(486,117)	(2,453,420)	(993,415)	-	(3,932,952)
Write offs	-	(3,701,261)	(6,553,044)	(1,647,062)	-	(11,901,367)
At 31 December 2023	1,398,435	17,505,775	8,994,548	6,022,203	-	33,920,961
Net carrying amount						
At 31 December 2023	11,123,694	26,610,604	17,797,895	5,062,161	3,102,249	63,696,603
At 31 December 2022	9,267,491	20,089,571	12,870,039	2,821,887	9,210,610	54,259,598

*During the year 2023 the Bank capitalised costs related to refurbished branches, Ewallet system, ATM switch upgrade, added onto its motor vehicle fleet, and other computer equipment replacements.

26. Property and equipment continued

Cost / Valuation	Freehold 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
At 1 January 2022	10,518,387	28,070,814	19,292,029	8,313,641	10,688,802	76,883,673
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	-	-	-	-	(4,313,389)	(4,313,389)
Disposals	-	(1,044,399)	(732,519)	-	-	(1,776,918)
Write offs	-	-	-	-	(550,340)	(550,340)
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 2023	933,388	15,473,151	12,681,352	6,420,309	-	35,508,200
Transfer to right-of-use asset	317,508	3,100,676	2,143,327	801,445	-	6,362,956
Charge for the year	-	(923,040)	(704,065)	-	-	(1,627,105)
Disposals						
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	1,893,332	10,688,802	41,375,473

26. Property and equipment (continued)

(i) Capital work-in-progress represents ongoing construction work at various branches, automation of fixed assets among others.

(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) Freehold land and buildings were last revalued on open market value and depreciated replacement cost basis, respectively, by a professional valuer (Reitis Limited) as per their report dated 7 January 2019. 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.

(v) Items of land and buildings were measured using the revaluation model. Below are the carrying amounts that would have been recognized for the assets had they been carried under the cost model.

27. Right of use assets		2023 Ushs'000	2022 Ushs'000
Cost		5,937,537	5,937,537
Accumulated depreciation		(1,478,948)	(1,366,919)
Net book value		4,458,589	4,570,618

Right of use assets Cost / Valuation	Leasehold Land Ushs'000	Office space Ushs'000	Vehicles Ushs'000	Total Ushs'000
At 1 January 2023	1,987,841	28,977,616	4,770,995	35,736,452
Additions	-	2,444,282	-	2,444,282
Lease reassessment	-	1,132,322	-	1,132,322
Write-offs*	-	(2,378,352)	(4,770,995)	(7,149,347)
At 31 December 2023	1,987,841	30,175,868	-	32,163,709
Depreciation				
At 1 January 2023	-	9,040,418	4,021,386	13,061,804
Transfer from PPE	77,998	-	-	77,998
Charge for the year	77,999	3,492,334	749,609	4,319,942
Write-offs*	-	(1,283,464)	(4,770,995)	(6,054,459)
At 31 December 2023	155,997	11,249,288	-	11,405,285
Net book value at				
31 December 2023	1,831,844	18,926,580	-	20,758,424
Net book value at				
31 December 2022	1,987,841	23,090,619	749,609	25,828,069

* Write offs related to terminated branch contracts and expired motor vehicle leases.

27. Right of use assets (continued)

Restated Particulars	Land Ushs'000	Office space Ushs'000	Vehicles Ushs'000	Total Ushs'000
Cost / Valuation				
At 1 January 2022	1,987,841	23,335,796	5,359,686	30,683,323
Additions	-	7,794,128	-	7,794,128
Value Added Tax impact on IFRS 16	-	(331,732)	-	(331,732)
Write-offs	-	(1,820,576)	(588,691)	(2,409,267)
At 31 December 2022	1,987,841	28,977,616	4,770,995	35,736,452
Depreciation				
At 1 January 2022	-	6,248,573	3,357,919	9,606,492
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	-	9,040,418	4,021,386	13,061,804
Net book value at 31 December 2022	1,987,841	19,937,198	749,609	22,674,648
Net book value at 31 December 2021	1,987,841	17,087,223	2,001,767	21,076,831
Restated Particulars				
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
Value Added Tax impact on IFRS 16	-	(2,821,689)	-	(2,821,689)
Write-offs	-	(2,461,147)	-	(2,461,147)
At 31 December 2021	1,987,841	23,335,796	5,359,686	30,683,323
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	-	6,248,573	3,357,919	9,606,492
Net book value at 31 December 2021	1,987,841	17,087,223	2,001,767	21,076,831
Net book value at 31 December 2020	1,987,841	16,752,044	3,164,183	21,904,068

Notes to the financial statements (continued)

28. Deposits from Banks

	2023 Ushs'000	2022 Ushs'000
Amounts due to other Banks	6,665,438	11,863,607

The amounts relate to interBank borrowings and vostro balances. The weighted average effective interest rate on deposits and balances due to other Banks was 2.81% (2022: 3.49%).

29. Customer deposits

	2023 Ushs'000	2022 Ushs'000
Current and demand accounts	31,364,558	38,139,645
Savings accounts*	596,132,882	589,255,840
Fixed deposit accounts	162,329,075	61,657,667
	789,826,515	689,053,152

As at 31 December 2023, Saving deposits include Ushs 6.623 billion relating to trust account deposits (2022: Nil). Airtel and MTN deposits amounted to Ushs. 33.068 billion and Ushs 191.450 billion respectively while at 31 December 2022, the MTN deposits amounted to Ushs 163.45 6billion, and Airtel Nil.

The weighted average effective interest rates on savings and fixed deposits were 1.67% and 10.24%, respectively (2022: 0.79% and 10.07%, respectively). All fixed deposits have a tenor of twelve months and below.

30. Borrowings

	UDB loans Ushs'000	Total Ushs'000
Year ended 31 December 2023		
At start of year	53,162,542	53,162,542
Interest on borrowings	6,030,078	6,030,078
Interest paid	(6,281,080)	(6,281,080)
Principal repayment	(11,448,347)	(11,448,347)
At end of year	41,463,193	41,463,193
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

The weighted average borrowing rate for these facilities is 6.24% (2022: 6.84%).

Notes to the financial statements (continued)

30. Borrowing (continued)

a) UDB loans	Principal Ushs'000	Outstanding Ushs'000
UDB Loan 1	-	-
UDB Loan 2	-	-
UDB Loan 3	15,000,000	994,588
UDB Loan 4	20,000,000	10,217,314
UDB Loan 5	40,000,000	30,251,291
At 31 December 2023	75,000,000	41,463,193

	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 2023	75,000,000	53,162,542

Both UDB Loan 3 and 4 were 5 year loans and are secured by legal mortgage over land and buildings of the Bank. Loan UDB 5 is secured against the Bank's performing loan book.

UDB Loan 5 matures in 10 years and bears interest at a fixed rate of 5% while UDB Loan 4 bears interest at a fixed rate of 10%. Both facilities are payable semi-annually.

UDB Loan 3 is at a fixed rate of 10% with payments due quarterly and will fully be paid up in the early days of January 2024.

30 (b). Net debt reconciliation	2023 Ushs'000	Restated 2022 Ushs'000
Cash and cash equivalents net of placements and cash reserve requirement	98,754,597	66,907,965
Liquid investments (note 19&20)*	38,070,948	19,783,075
Borrowings (note 30)	(41,463,193)	(53,162,542)
Lease liability (note 32(b))	(17,330,363)	(20,708,063)
Net debt	78,031,989	112,820,435

* Liquid investments include treasury bills and placements with other Banks.

31. Deferred grants	2023 Ushs'000	2022 Ushs'000
Capital grants (Note 31 (b))	497,503	606,575
Operating grants (Note 31 (a))	416,236	578,642
At 31 December	913,739	1,185,217

Notes to the financial statements (continued)

31. Deferred grants (continued)

(a). Operating grants

	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 2023	-	-	308,132	72,378	198,132	578,642
Additions	-	-	-	-	402,578	402,578
Repayments	-	-	-	-	(571,727)	(571,727)
Revaluations	-	-	-	-	6,743	6,743
Grant income to P&L	-	-	-	-	-	-
At end of year 2023	-	-	308,132	72,378	35,726	416,236
At start of year 2022	142,914	376,216	366,138	72,378	-	957,646
Additions	-	-	-	-	198,132	198,132
Repayments	-	(365,474)	(58,006)	-	-	(423,480)
Grant income to P&L	(142,914)	(10,742)	-	-	-	(153,656)
At end of year 2022	-	-	308,132	72,378	198,132	578,642

(b). Capital grants amortisation

	Abi Trust Ushs'000	CARE Ushs'000	Total Ushs'000
Year ended 31 December 2023			
Cost	587,230	19,345	606,575
At 1 January and 31 December 2023			
Amortisation			
At start of year	-	-	-
Charge for the year	(105,620)	(3,452)	(109,072)
Net book value at 31 December 2023	481,610	15,893	497,503
Year ended 31 December 2022			
Cost			
At 1 January 2022 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

Notes to the financial statements (continued)

31. Deferred grants (continued)

a) 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.

b) 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.

c) 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.

d) Cooperative for Assistance and Relief Everywhere, INC (CARE)

This is a grant from CARE under the women financial inclusion program. It was extended to develop a sub wallet product targeting identified women’s individual savings, to enable proximity and access of financial services and to empower women in order to increase their contribution to key development.

e) 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 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.

Notes to the financial statements (continued)

32. Other liabilities (a)	2023 Ushs'000	Restated 2022 Ushs'000	Restated 2021 Ushs'000
Accounts payable	4,694,381	1,738,312	1,063,329
Insurance premium	392,842	258,773	323,826
National Social Security Fund contributions	582,069	493,089	427,322
Indirect taxes payable	2,423,720	2,544,706	1,879,465
Staff accrued payables	3,555,220	1,677,304	1,520,493
Audit fees	89,835	63,667	76,700
Cash overs	28,215	42,407	43,070
Other payables	18,371,465	13,054,821	13,348,893
Lease liabilities (Note 32(b))	17,330,363	20,708,063	19,418,860
Agriculture Credit Facility	13,951,677	7,869,864	8,366,135
Small Business Recovery Fund	1,133,104	193,917	-
Provision for expected credit losses-off balance sheet	7,846	41,652	3,919
	62,560,737	48,686,575	46,472,012

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 up take 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 10 million-Ushs 300 million, 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.

Lease liabilities (b)

The movement in the lease liabilities is as shown below:

	2023 Ushs'000	2022 Ushs'000 Restated	2021 Ushs'000 Restated
At 1 January	20,708,063	19,418,860	19,812,825
Additions	2,268,453	7,078,551	6,569,756
Interest expense on lease liabilities	1,096,319	1,413,340	1,881,117
Repayment of interest component	(1,096,319)	(1,413,340)	(1,881,117)
Repayment of principal component	(5,371,288)	(4,060,079)	(3,730,295)
Lease reassessment	1,132,322	-	-
VAT impact on IFRS 16	-	(331,732)	(2,821,689)
Terminated contracts	(1,407,187)	(1,397,537)	(411,737)
At 31 December	17,330,363	20,708,063	19,418,860

Notes to the financial statements (continued)

32. Other liabilities (a) (continued)

Lease liabilities (b) (continued)

The movement in net lease liabilities is as shown below:

	2023 Ushs'000	2022 Ushs'000 Restated	2021 Ushs'000 Restated
Gross instalments payable	28,103,638	26,262,855	24,489,944
Future interest	(10,773,275)	(5,554,792)	(5,071,084)
Net lease liabilities	17,330,363	20,708,063	19,418,860

(c) Amount recognised in the statement of comprehensive income

	2023 Ushs'000	2022 Ushs'000 Restated
Interest expense on lease liabilities	1,096,319	1,413,340
Amortisation of right-of-use asset	4,319,942	4,584,991
Total	5,416,261	5,998,331

(d) Amount recognised in statement of cash flows

	2023 Ushs'000	2022 Ushs'000 Restated
Payment of interest on lease obligations	1,096,319	1,413,340
Payment of principal lease obligations	4,319,942	4,060,079
Total	5,416,261	5,473,419

33. Share capital Issued and fully paid

	Ushs'000	Ushs'000
At start of year	113,569,025	98,006,879
Bonus issue of shares	19,095,184	12,235,818
Issue of shares for cash consideration	671,603	3,326,328
At end of year	133,335,812	113,569,025

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 2023 (2022: Nil).

During the year, the Bank issued 1,976,678 additional ordinary shares comprised of a cash issue of 67,160 shares (2022: 332,632 shares) and a bonus issue of 1,909,518 shares (2022: 1,223,582 shares). The total number of paid-up shares is now 13,333,581 shares (2022: 11,356,902 shares).

Notes to the financial statements (continued)

33. Share capital Issued and fully paid) (continued)

Number of shares

	2023 Number	2022 Number
At start of year	11,356,902	9,800,687
Issue of bonus shares	1,909,518	1,223,582
Issue of shares for cash consideration	67,160	332,633
At end of year	13,333,580	11,356,902

As at 31 December 2023, there were fifteen million (15,000,000) authorised ordinary shares of which 13,333,581 (2022: 11,356,902) were issued and fully paid. All shares have equal voting rights at meetings of the Bank and rank equally with regards to the Bank's residual assets.

The shareholders of the Bank, all of whom have their registered addresses in Uganda, were as follows as at 31 December 2022 and 2023:

	No. shares	% held
Minister of Finance Planning and Economic Development – Uganda	13,333,580	100.00%
Minister of State for Finance (Privatisation) – Uganda	1	0.00%
	13,333,581	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.

	2023 Ushs'000	2022 Ushs'000
At start of year	2,952,941	3,097,455
Transfer of excess depreciation to retained earnings	(144,514)	(144,514)
At end of year	2,808,427	2,952,941

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. Provisions and contingent liabilities

(a). Provisions for litigations	2023 Ushs'000	2022 Ushs'000
Legal provisions		
At 1 January	793,734	732,832
Additions	759,725	97,012
Payments made	(473,387)	(36,110)
At 31 December 2023	1,080,072	793,734

Provisions and contingent liabilities for litigations

The Bank is a litigant in several cases which arise from normal day to day Banking activities. Legal provisions arise where the Directors have assessed the outcome of litigation after taking appropriate legal advice and believe that it is probable that an outflow of resources will be required to settle the obligations and the amounts involved can be reliably estimated. These are recognised in the financial statements of the Bank and are extinguished where settlement has been made. Where it is not probable that there will be an outflow of resources to settle the litigation, a provision will not be recognised but the amounts involved will be disclosed.

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.

The Bank had contingent liabilities estimated at Ushs 941 million (2022: Ushs 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.

Given the sensitive nature of these legal cases, the directors are of the opinion that disclosing the details of each case can be expected to prejudice seriously the position of the Bank. As such, that information has not been disclosed.

b). Commitments, Guarantees and Letters of Credit

Guarantees	2023 Ushs'000	2022 Ushs'000
Gross	3,941,483	4,034,398
Provision for expected credit losses (Note 36)	(1,982)	(4,065)
	3,939,501	4,030,333
Undrawn stand-by facilities (Commitments)	11,504,883	4,273,767
Provision for expected credit losses	(5,864)	(37,587)
	11,499,019	4,236,180
Letters of Credit	1,680,078	5,296,254
	15,370,461	13,562,767

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.

Notes to the financial statements (continued)

36. Provisions and contingent liabilities (continued)

b). Commitments, Guarantees and Letters of Credit (continued)

Movement in impairment of guarantees

	2023 Ushs'000	2022 Ushs'000
As at January 1	4,065	836
(Decrease)/Increase in provision (Note 12)	(2,083)	3,229
As at 31 December	1,982	4,065

Movement in impairment of loan commitments

As at January 1	37,587	3,083
(Decrease)/increase in provision (Note 12)	(31,723)	34,504
As at December 31	5,864	37,587

37. Related parties

The Bank's immediate and ultimate controlling party is the Government of Uganda. There are other companies i.e., government parastatals that are related to the Bank through common shareholdings. The major significant transaction was equity contribution of Ushs 67,000,000, disclosed under note 33. The following transactions were carried out with related parties:

Loans to customers at 31 December 2023 include loans to Directors as follows:

Loans to Executive and Non-Executive Directors

At start of the year	553,784	580,884
Loans extended during the year	767,322	440,000
Interest earned	49,307	61,901
Loan repayments during the year	(543,864)	(529,001)
At end of year	826,549	553,784

Loans to Directors as at 31 December 2023 were neither past due, nor impaired (2022: Nil). The loans are secured. The interest earned on loans to Directors during the year 2023 was Ushs 49 million (2022: Ushs 61 million).

Names	Position	Rate	2023 Ushs'000	2022 Ushs'000
Lawrence Kasenge	Non- Executive	12%	193,449	30,078
Beatrice Lagada	Non- Executive	18%	34,055	38,206

Executive Directors

Julius Kakeeto	Managing Director	10%	59,227	277,682
Andrew Kabeera	Executive Director	10%	539,818	207,818
			826,549	553,784

Notes to the financial statements (continued)
37. Related parties (continued)

Deposits by Directors

	2023 Ushs'000	2022 Ushs'000
At start of year	21,738	92,180
Movement for the year	57,261	(70,443)
At end of year	78,999	21,737

Deposit accounts held by Directors were non-interest bearing (2022: Nil).

Key management compensation

	2023 Ushs'000	2022 Ushs'000
Salaries and other benefits	6,145,709	4,605,377
Post-employment benefits	720,500	757,000
	6,866,209	5,362,377

Directors' remuneration (included in key management compensation above)

Salaries and other benefits	1,381,452	1,213,242
Post employment benefits	195,750	261,000
Board allowances and other costs	2,074,275	1,199,995
	3,651,477	2,674,237

38. Cashflows from operating activities

		2023 Ushs'000	2022 Ushs'000 Restated
Profit before income tax	Note	34,413,729	20,461,555
Adjustments for:			
Depreciation of property, plant and equipment	26	9,589,227	6,362,956
Depreciation of right of use assets	27	4,319,942	4,584,991
Amortisation of Intangible assets	25	4,261,366	2,153,218
Interest income		(167,217,107)	(125,922,570)
Interest expense on borrowings	30	6,030,078	4,113,109
Interest expense on deposits		22,262,501	19,765,627
Interest charge on leases	32 (b)	1,096,319	1,413,340
Expected credit losses on financial assets	12	12,440,498	14,335,173
Additional provisions for litigations	36	759,725	(574,323)
Grant release to profit or loss	31	(109,072)	(267,536)
Losses on disposal of fixed asset	26	-	146,786
Gain on disposal of fixed assets		(153,446)	-
Lease termination	27&32(b)	(312,299)	(117,949)
Write off of PPE	26	408,360	550,340
Foreign exchange losses	10	83,496	-
Cash flows from operating activities		(72,126,683)	(52,995,283)

Notes to the financial statements (continued)

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 Bank revalued its buildings/properties located in Kampala, Mbarara, Luwero, Nwoya, Kiryandongo, Kotido, Amolatar and Nakasongola on 28th December 2018 using market value approach and replacement cost method. This was done by Reitis Limited, the external, independent property valuers, having appropriate recognised professional qualifications. The fair value measurement for all the investment properties have been categorised as a level 3 fair value based on the inputs to the valuation technique used.

The following table shows an analysis of assets recorded at fair value by level of the fair value hierarchy. This hierarchy requires the use of observable market data where available. The Bank considers relevant and observable market prices in its valuations where possible. The Bank does not have any liabilities measured at fair value.

At 31 December 2023	Level 3 Ushs'000	Total Ushs'000
Assets measured at fair value:		
Land and buildings	11,123,694	11,123,694
At 31 December 2022		
Assets measured at fair value:		
Land and buildings	9,267,491	9,267,491

There were no transfers between levels 1, 2 and 3 in the year (2022: no transfers).

Notes to the financial statements (continued)
39. Fair value measurement (continued)

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.

	Carrying Amount Ushs'000	2023 Fair Value Ushs'000	Carrying Amount Restated Ushs'000	2022 Fair Value Restated Ushs'000
Financial assets				
Cash and balances with Bank of Uganda	130,328,392	130,328,392	99,282,113	99,282,113
Due from Banks	23,294,041	23,294,041	102,282,41	102,282,41
Debt instruments at amortised cost	183,266,957	180,659,035	156,868,788	158,877,264
Loans and advances to customers	602,226,647	600,354,014	479,522,825	477,251,821
Receivables from business contracts	584,839	584,839	2,535,299	2,535,299
Other assets	20,462,146	20,462,146	5,702,770	5,702,770
Financial liabilities				
Borrowings*	41,463,193	41,463,193	53,162,542	39,639,859
Deposits from Banks	6,665,438	6,665,438	11,863,607	11,863,607
Customer deposits	789,826,515	789,826,515	689,053,152	689,053,152
Other liabilities	38,240,464	38,240,464	22,920,580	22,920,580

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 2 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 2.

Debt instruments at amortised cost

Debt instruments at amortised 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.

Notes to the financial statements (continued)

39. Fair value measurement (continued)

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 and the income capitalisation approach. The cost which was 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. With the income capitalisation method, the valuer considered the net annual income of the property, assuming the property is fully let at market related rentals, and market escalations, with an allowance made for vacancies. The valuer estimated and deducted market related operating expenses resulting in a net annual income which we then capitalised at a market related rate. The valuer also considered the demand given the location of the building.

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

The Bank received Ushs 2,014 million as a capital contribution from Ministry of Finance. There were no other material events occurring after the reporting date which had an impact on the financial position or results of the Bank.

42. Restatement of financial statements

a) Statement of cash flow

The Bank had not adjusted for all the non-cash items, disclosed the interest income received and income paid and presented other balances in the appropriate section and captions in the statement of cash flows for the year ended 31 December 2022. The comparative information has been restated to ensure that all the balances are presented in the appropriate captions and sections of the statement of cash flows as included in the table below;

Cash flows from operating activities	Reference	As previously stated 2022 Ushs'000	Reclassification Adjustments Ushs'000	Restated balances 2022 Ushs'000
Profit before income tax	a	20,461,554	1	20,461,555
Adjustments for:				
Write offs of PPE	e	-	550,340	550,340
Interest income	b	-	(125,922,570)	(125,922,570)
Interest expense on deposits	c	-	19,765,627	19,765,627
Additional provisions for litigations	e	-	(574,323)	(574,323)
Lease termination	e	(120,404)	2,455	(117,949)
Other non cash expenses	e	(518,650)	518,650	-
Foreign exchange gains or losses	e	321,162	(321,162)	-
		20,143,662	(105,980,982)	(85,837,320)
Working capital changes in:				
☞ Receivables from contract balances	d	-	34,937	34,937
☞ Cash reserve requirement	f	-	34,840,000	34,840,000
☞ Loans and advances to customers	b	(38,728,847)	7,889,213	(30,839,634)
☞ Customer deposits	c	181,759,848	2,443,897	184,203,745
☞ Other assets	d	(1,497,667)	(34,937)	(1,532,604)
☞ Other liabilities	e	314,928	572,699	887,627
☞ Investment in government securities	b	(126,393,787)	10,110,712	(116,283,075)
☞ Due from other Banks	b	49,796,276	5,173,243	54,969,519
payments made for litigations	e	-	(36,110)	(36,110)
Interest received	b	-	102,749,402	102,749,402
Interest paid on deposits	c	-	(22,209,524)	(22,209,524)
Total adjustments to operating activities		85,394,413	34,127,450	51,266,963

Notes to the financial statements (continued)

42. Restatement of financial statements (Continued)

	Reference	As previously stated 2022 Ushs'000	Reclassification Adjustments Ushs'000	Restated balances 2022 Ushs'000
Cash flows from investing activities				
Lease prepayments	e	-	(715,577)	(715,577)
Proceeds from sale of property and equipment	e	-	3,027	3,027
Total adjustments to investing activities		-	(712,550)	(712,550)

The adjustment to the statement of cash flows for the year ended 31 December 2022 balances are further explained below;

- a) This adjustment was to align the previously profit before tax to the balance included in the statement of comprehensive income.
- b) The Bank adjusted for interest income in the non-cash items and presented the interested received under operating activities.
- c) The Bank adjusted for the interest expense under the non-cash items and presented the interest paid on customer deposits under the operating activities.
- d) The Bank reclassified the working capital changes relating to receivable from contract balances from the other assets caption to the receivables from contract asset caption.
- e) The balances included under other non-cash expenses and foreign exchange gains or losses were appropriately reclassified to the relevant captions. The Bank also presented the non-cash adjustment arising out of increase in provisions and consequently recognised the payments made to settle the outstanding litigations under operating activities.

Exclusion of VAT from leases liability and right of use assets

The Bank had not excluded VAT in the cash flows used to determine the lease liability and right-of-use assets for the years ended 31 December 2022 and 31 December 2021. The comparative information has been restated to eliminate the VAT component in the lease payments used to determine the lease liability and the right of use asset balances as included in the table below;

Notes to the financial statements (continued)
42. Restatement of financial statements (Continued)

Statement of financial position as at 31 December 2022

	Note	As previously stated Ushs'000	Exclusion of VAT Adjustments Ushs'000	Restated balances Ushs'000
Assets				
Right of use asset	27	25,828,069	(3,153,421)	22,674,648
Other assets		(23,861,484)	-	(20,708,063)
Total assets		946,600,521	(3,153,421)	943,447,100
Liabilities				
Lease liability	32	23,861,484	(3,153,421)	20,708,063
Other liabilities	32	51,839,996	(3,153,421)	48,686,575
Other liabilities on the statement of financial position		759,143,376	-	759,143,376
Total liabilities		810,983,372	(3,153,421)	807,829,951
Equity		135,617,149	-	135,617,149
Total equity and liabilities		946,600,521	(3,153,421)	943,447,100

Statement of financial position as at 31 December 2021

	Note	As previously stated Ushs'000	Exclusion of VAT Adjustments Ushs'000	Restated* balances Ushs'000
Assets				
Right of use asset	27	23,898,520	(2,821,689)	21,076,831
Other assets		721,393,627	-	721,393,627
Total assets		745,292,147	(2,821,689)	742,470,458
Lease liability	32	22,240,549	(2,821,689)	19,418,860
Other liabilities	32	49,293,701	(2,821,689)	46,472,012
Other liabilities on the statement of financial position		578,872,182	-	578,872,182
Total liabilities		628,165,883	(2,821,689)	625,344,194
Equity		117,126,264	-	117,126,264
Total equity and liabilities		745,292,147	(2,821,689)	742,470,458

The impact exclusion on VAT from the lease liability and right of use asset was not material to the interest expense and the right-of-use asset amortisation. Therefore, the statement of profit or loss and cash flows have not been adjusted accordingly.

Supplementary Information

BRANCH NETWORK	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 95/96 Rwampanga Road Nakasongola 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 6,Vol HQT 1628,4U17 Kabale road 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
Masindi Branch	Plot 4, Orient House, K'la Rd., 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

Supplementary Information (continued)**Branch network (Continued)**

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, Tel 0417157540/1
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
Kawempe Branch	Plot 315 bombo road
Nansana Branch	Plot 7514 PostBank building hoima road
Manafwa Branch	Plot 03 block 8 wesonga road south Mbale
Bulenga Branch	Plot 1155 mityana road,Wakiso district

Supplementary Information (continued)

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
ECL	Expected Credit Losses
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
LTECL	Life Time Expected Credit Losses
MD	Managing Director
MDI	Micro Deposit Institution
MTN	Mobile Telecommunication Network

Supplementary Information (continued)**Abbreviations (continued)**

NPA	Nonperforming Assets
NSSF	National Social Security Fund
OTC	Over the Counter
PAT	Profit After Assets
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
PPD	Public Procurement and Disposal Act
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
SFI	Supervised Financial Institution
SME	Small and Medium Enterprises
SOPs	Standard Operatin
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
USH	Uganda Shilling
VAR	Value at Risk
VSL	Village Saving Loans
WIP	Work in Progress
WHO	World Health Organi
NRC	Norwegian Refugee Council
LWF	Lutheran World Federation
CORE	Community Road Empowerment Program
CRS	Catholic Relief Services
WV	World Vision Uganda



Supplementary Information (continued)

Abbreviations (continued)

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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