standard chartered

STANDARD CHARTERED BANK UGANDA LIMITED

ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2023

Directors, Officials and Administration

DIRECTORS	M Kiwanuka S Rughani* R. Abu Manneh**** M Nalyanya D Okello K Musana*** G Sebaana K Ngari** M. Ssebugwawo	(Chairperson) (Managing Director)	*Tanzanian **Kenyan ***Zambian ****Emirati
AUDITOR	Ernst & Young Certified Public Accountants of Uganda EY House, Shimoni Office Village Plot 18 Clement Hill, Road P. O. Box 7215 Kampala, Uganda		
MAIN CORRESPONDENT BANKS	Standard Chartered Bank New York One Madison Avenue New York NY 10010-3603	Standard Chartered Bank London International Sales & Services Centre, Mayfair 107 - 108 Park lane London W1Y 4HY United Kingdom	Standard Chartered Bank Tokyo 21st Floor, Sanno Park Tower 2-11-1 Nagata-cho Chiyada-ku Tokyo 100-6155 Sanno Park P. O. Box 7, Tokyo 100-6155
REGISTERED OFFICE	Plot 5, Speke Road P. O. Box 7111 Kampala, Uganda		
BANK'S SOLICITORS	S&L Advocates SL Chambers Plot 14 Mackinon road P. O. Box 2255 Kampala, Uganda	Kampala Associated Advocates KAA House, Plot 41 Nakasero Road P. O. Box 9566 Kampala, Uganda	Ligomarc Advocates Plot 4 Jinja Road 5th Floor, Western Wing, Social Security House P. O. Box 8230 Kampala, Uganda
	Kyagaba & Otatiina Advocates 3rd Floor UEDCL Towers Plot 37, Nakasero Road P.O. Box 24790 Kampala, Uganda		

Standard Chartered Bank Uganda Limited

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2023 which disclose the state of affairs of Standard Chartered Bank Uganda Limited ("the Bank").

1. Principal activities

The Bank is engaged in the business of commercial banking and the provision of related services, and is licensed under the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016.

2. Market risk

Market risk exists wherever the Bank has taken trading, banking and investment positions.
Trading limits are set for business units to contain losses within a prescribed amount in the event of adverse price movements. Independent price-risk management functions monitor exposure to trading and interest rate risks and report exposures and excesses.

3. Capital adequacy

The Bank monitors the adequacy of its capital using ratios established by the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets and off-statement of financial position commitments at a weighted amount to reflect their relative risk.

Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50% and 100%) are applied; for example cash and balances with Bank of Uganda and Debt instruments issued by Bank of Uganda have a zero risk weighting which means that no capital is required to support the holding of these assets. Balances with other Banks have risk weightings of either 20%, 50% and 100% because they carry some risk and Property and equipment carries a 100% risk weighting, and other asset categories have intermediate weightings.

The Financial Institutions (Capital Adequacy Requirements) Regulations, 2018 introduced an additional requirement of Market and Counterparty Credit risk when determining total risk weighted assets for capital computation. (Refer to capital adequacy computations note 3 below).

Off-statement of financial position which includes credit related commitments are taken into account by applying different categories of credit conversion factors, designed to convert these items into statement of financial position equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets. The conversion factors used by the Bank closely follow the standard percentages under Basel II Accord.

Tier 1 capital consists of share capital, retained earnings and capital reserves, other general reserves less unrealised revaluation gains, goodwill, prohibited loans to insiders, intangible assets and other deductions as determined by Bank of Uganda. Tier 2 capital includes the Bank's revaluation reserves and unencumbered general provision for losses. Tier 2 capital is limited to 100% of Tier 1 capital.

The Financial Institutions (Capital Adequacy Requirements) Regulations, 2018 restricts the amount of the unencumbered general provisions for losses qualifying for Tier 2 Capital computation to 1.25 % of the risk weighted assets. Such general provisions should have been created against the possibility of losses not yet identified.

The Financial Institutions (Capital Buffer and Leverage ratio) regulations 2020 require a 2.5% additional capital conservation buffer on the core and total capital requirement for all financial institutions and systemic risk buffer (0%-3.5%) and countercyclical buffer (0%-2.5%) for qualifying institutions.

The Basel II guidelines assess the impact of operational risk, credit risk, stress testing and internal capital adequacy assessment processes (ICAAP) on the minimum capital requirements. The Basel II guidelines introduced additional capital charge as a result of Pillar 1 (operational, credit, market and stress testing) risk assessments and Pillar II supervisory review process as included in the ICAAP.

The capital adequacy compliance is assessed based on the Basel I computation, however, the Bank Of Uganda is currently monitoring compliance with the Basel II requirements and intends to amend the Financial Institutions (Capital Adequacy) Regulations to include them.

Standard Chartered Bank Uganda Limited

Directors' Report continued

Capital adequacy continued

	Note	2023 Ushs '000	2022 Ushs '000
Share capital	26	**150,000,000**	150,000,000
Retained earnings		**449,947,470**	538,463,869
Capital reserve	26	**2,128,100**	2,128,100
Unrealised revaluation gains	5	**(2,056,916)**	(1,338,715)
Capitalised software	17	**(13,525,419)**	(13,125,708)
Deferred Tax	10	**(5,847,296)**	-
Goodwill	17	**(1,489,874)**	(1,489,874)
		579,156,065	674,637,672
Asset revaluation reserves	26	**1,862,854**	1,917,558
Unencumbered general provisions for losses	26	**11,183,347**	11,982,036
		13,046,201	13,899,594
Total Capital (Tier 1 + Tier 2)		**592,202,266**	688,537,266

			2023	2022
Leverage Ratio (minimum 6%)	A/(B+C)		**12.04%**	**14.18%**
Core capital	A		**579,156,065**	674,637,672
Total balance sheet	B		**3,654,640,171**	3,793,543,146
Total off balance sheet	C	23	**1,153,866,431**	965,470,987

	FIA Minimum Capital Requirements		Capital Adequacy as at	
FIA Capital Ratios	2023	2022	2023	2022
Tier 1 capital	**12.50%**	12.50%	**22.73%**	25.09%
Tier 1 + Tier 2 capital	**14.50%**	14.50%	**23.24%**	25.61%

Below are the buffers required to be maintained above the minimum capital ratio requirement as at 31 December.

Buffers	2023	2022
Capital conservation	**2.50%**	2.50%
Domestic systemically important banks	**0.50%**	0.50%
Basel Pillar 2 risk	**0.17%**	2.20%
Total	**3.17%**	5.20%

3. Results and dividend

The profit after tax for the year is Ushs 80,033 million (2022: Ushs 44,239 million million) from which the directors have proposed Ushs 80,033 million (2022: Nil) as dividend for the year.

Dividends worth Ushs 108,500 million (2022: 154,287 million) were paid during the year.

The Directors also confirm the Bank's reserves as below:

	2023 Ushs '000	2022 Ushs '000
Revaluation reserve	**1,862,854**	1,917,558
Retained earnings	**449,947,470**	538,463,869
Regulatory general credit risk reserve	**23,365,958**	43,271,402
Fair value reserve	**1,420,999**	13,467,174
Capital reserve	**2,128,100**	2,128,100
	478,725,381	599,248,103

Directors' Report continued

4. Directors

The current members of the board are shown on page 2. During the year, Mr. Ian Fernandes and Mr. John Bikalemesa Muhaise resigned and retired from Board of Directors respectively. Ms. Rola Abu Manneh and Mr. Moses John Ssebugwawo were appointed to the Board of directors effective 05 May 2023 and 15 December 2023 respectively.

5. Directors' benefits

Since the last annual general meeting of members to the date of this report, no director has received or become entitled to receive any benefit other than directors' fees and amounts/allowances received under employment contracts for Executive Directors. The aggregate amount of emoluments for directors' services rendered in the financial year is disclosed under Note 30 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 institution is a party whereby directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

6. External Auditor

Ernst & Young was appointed during the year and being eligible, has expressed willingness to continue in office in accordance with Section 167 (2) of the Companies Act, 2012 of Uganda.

Financial statements

The financial statements were approved by the Board of Directors on 06 March 2024.

By order of the Board

Ms. Stella Keshubi
Company Secretary

06 March 2024

Standard Chartered Bank Uganda Limited

Statement of Directors' Responsibilities

The directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include material accounting policy information and other explanatory notes, in accordance with International Financial Reporting Standards and the Companies Act, 2012 of Uganda and Financial Institutions Act 2004, as amended by the Financial Institutions (Amendment) Act, 2016, and for such internal controls 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.

The directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Under the Companies Act, 2012 of Uganda, the directors are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. It also requires the directors to ensure the Bank keeps proper accounting records that disclose with reasonable accuracy the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the reporting requirements of the Financial Institutions Act 2004 as amended by the Financial Institutions (Amendment) Act, 2016 and the Companies Act, 2012 of Uganda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit and cash flows for the year ended 31 December 2023. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an overall assessment of the Bank's ability to continue as going concern and have no reason to believe that the business will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The financial statements, as indicated above, were approved by the Board of Directors on 06 March 2024 and were signed on its behalf by:

Director

Director

Director

Director

Ernst & Young
Certified Public Acountants
Ernst & Young House
Plot 18, Clement Hill Road
Shimoni Office Village,
P.O. Box 7215
Kampala, Uganda

The firm is licensed and regulated by ICPAU; NO: AF 0010
Tel: +256 414 343520/4
Fax: +256 414 251736
Email: info.uganda@ug.ey.com
www.ey.com

Building a better working world

To The Members of Standard Chartered Bank Uganda Limited
Independent Auditors' Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Standard Chartered Bank Uganda Limited (the Bank) set out on pages 11 to 92, 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 a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act, 2012 of Uganda, the Financial Institutions Act, 2004, as amended by the Financial Institutions (Amendment) Act, 2016 and Financial Institutions Regulations, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Standard Chartered Bank Uganda Limited
Independent Auditors' Report continued

<table>
<tr><td>Key Audit Matter</td><td></td></tr>
<tr><td colspan="2">Expected Credit Losses on loans and advances to customers</td></tr>
<tr><td>As described in Note 13 to the financial statements, as at 31 December 2023, the Bank has an allowance for expected credit losses of Ushs 74.2 billion (2022: Ushs 81.2billion) charged on gross loans and advances to customers of Ushs 1,204 billion (2022: Ushs 1,303 billion). The expected credit losses are based on a forward-looking approach that recognises impairment loss allowances in accordance with IFRS 9 Financial Instruments. The estimation of expected credit losses requires the Bank to make significant judgements in the consideration of the following variables:

• Allocation of loan facilities due from customers to stages 1, 2 and 3 in accordance with IFRS 9 based on:
– Credit exposures for which there has been a significant increase in credit risk since initial recognition, and for which a loss allowance is recognised over the remaining life of the exposure (life-time ECL);
– Credit exposures for which there has been no significant increase in credit risk, and for which a loss allowance is recognised for default events that are possible within the next 12-months (12-month ECL).
• Stratification of assets under different credit portfolio on the basis of the associated credit risk.
• Assessment of the Probability of Default (PD) and the Loss Given Default (LGD).
• The application of historical and forward-looking information, including macro-economic factors in the assessment of the PDs.
• Assessment and forecast of expected future cash flows from impaired (stage 3) loans and advances to customers and assessment of the financial condition of the counterparty, estimated recoverability and collateral realisation.
• Expected utilisation of overdraft and other lending commitments over the lifetime of the commitments.
• Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss models.
• Due to the significance of the amounts and significant judgements and related estimation uncertainty involved, the assessment of ECLs has been considered a key audit matter.</td><td>The complexity of these estimates require management to prepare disclosures to explain the key judgments and the key inputs into the ECL computations. These disclosures include those in Notes 8 and 13 to the financial statements for accounting policies and explanatory notes.

How the matter was addressed in the audit

Our audit procedures included but were not limited to:

• Reviewed the accounting policies for compliance with IFRS 9 requirements.

• Reviewed the ECL models including whether the assumptions applied, and the functioning and application of the models were accordance with IFRS 9.

• Reviewed the allocation of loans and advances to customers to stages 1, 2 and 3 for compliance with IFRS 9 basing on the performance of the loans and the available information.

• Evaluated the assumptions made to factor expected future cash flows into the ECL computations, taking into account market conditions, and the post-reporting date performance of the loan facilities.

• We evaluated the reliability of data sources, including collateral valuation, used in the ECL calculations. This included reviewing loan files to check, where appropriate, if the inputs agreed to the supporting documentation.

• We assessed whether disclosures made in the financial statements agreed to the audited balances and information, and whether they were in accordance with IFRS 9.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the Bank information on pages 1, the Directors' Report as required by the Companies Act, 2012 of Uganda and the statement of directors' responsibilities. The other information 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 an audit opinion or 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.

Standard Chartered Bank Uganda Limited
Independent Auditors' Report continued

Responsibilities of the directors for the financial statements

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

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

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 judgment 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 year 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.

Standard Chartered Bank Uganda Limited
Independent Auditors' Report continued

REPORT ON OTHER LEGAL REQUIREMENTS

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

i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of 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 on the audit resulting in this independent auditor's report is CPA Geoffrey Byamugisha – P0231.

....
Ernst & Young
Certified Public Accountants of Uganda
Kampala, Uganda

....
Geoffrey Byamugisha
Partner

......24........... April 2024

Standard Chartered Bank Uganda Limited

Statement of Comprehensive income

For the year ended 31 December 2023

	Notes	2023 Ushs '000	2022 Ushs '000
Effective interest income		307,129,539	293,672,395
Effective interest expense		(52,975,929)	(58,021,091)
Net interest income	3	**254,153,610**	235,651,304
Fees and commission income		54,631,764	55,746,522
Fees and commission expense		(10,964,296)	(7,559,474)
Net fee and commission income	4	**43,667,468**	48,187,048
Net trading income	5	77,469,449	93,088,912
Other operating income	6	5,719,826	281,600
Operating income		**381,010,353**	377,208,864
Staff costs		(68,635,947)	(61,815,524)
Premises costs		(5,721,440)	(4,670,873)
General administrative expenses		(159,116,566)	(124,379,889)
Depreciation and amortisation		(6,968,724)	(8,339,765)
Operating expenses	7	**(240,442,677)**	(199,206,051)
Operating profit before impairment losses and taxation		**140,567,676**	178,002,813
Credit impairment	8	(32,568,264)	(91,503,983)
Property, plant and equipment and other impairment	9	(5,992)	(10,541)
Profit before taxation		**107,993,420**	86,488,289
Taxation	10	(27,960,811)	(42,249,340)
Profit for the year		**80,032,609**	44,238,949
Profit attributable to:			
Parent company shareholders		80,032,609	44,238,949
Profit for the year		**80,032,609**	44,238,949
		Ushs	Ushs
Earnings per share:			
Basic earnings per ordinary share	12	534	295
Diluted earnings per ordinary share	12	534	295

	Notes	2023 Ushs '000	2022 Ushs '000
Profit for the year		80,032,609	44,238,949
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to income statement:		(12,046,175)	(6,927,705)
FVOCI financial instruments revaluation (losses) taken to equity		(5,598,898)	(7,041,919)
Reclassified to income statement		(5,547,983)	(352,774)
Net impact of expected credit losses		(6,061,940)	(2,502,029)
Taxation relating to components of other comprehensive income	10	5,162,646	2,969,017
Other comprehensive (loss) for the year, net of taxation		(12,046,175)	(6,927,705)
Total comprehensive income for the year		67,986,434	37,311,244
Total comprehensive income attributable to:			
Parent company shareholders		67,986,434	37,311,244
Total comprehensive income for the year		67,986,434	37,311,244

The notes on pages 16 to 92 form an integral part of these financial statements.

Standard Chartered Bank Uganda Limited

Statement of Financial position

For the year ended 31 December 2023

	Notes	2023 Ushs '000	2022 Ushs '000
Assets			
Cash and balances with the central bank		**370,788,638**	343,675,907
Financial assets held at fair value through profit or loss	13	**226,542,009**	157,294,669
Derivative financial instruments	13,14	**8,295,909**	11,889,467
Loans and advances to banks	13,15	**1,245,016**	16,602,958
Loans and advances to customers	13,15	**1,129,961,900**	1,222,126,308
Investment securities	13	**902,988,998**	1,002,955,370
Other assets	20	**92,613,765**	119,440,673
Amounts due from group and other related parties	30	**887,444,881**	893,718,415
Goodwill and intangible assets	17	**15,015,293**	14,615,582
Property, plant and equipment	18	**13,896,466**	11,223,797
Deferred tax assets	10	**5,847,296**	-
Total assets		**3,654,640,171**	3,793,543,146
Liabilities			
Deposits by banks	13	**115,824,706**	137,347,571
Customer accounts	13	**2,544,429,898**	2,518,840,748
Repurchase agreements	13	**-**	20,000,034
Derivative financial instruments	13,14	**6,238,993**	13,416,451
Other liabilities	21	**231,910,207**	250,678,484
Due to group and other related parties	30	**17,779,816**	67,685,111
Current tax liabilities	10	**179,312**	7,211,162
Accruals and deferred income		**23,424,940**	20,819,030
Deferred tax liabilities	10	**-**	2,094,522
Provisions for liabilities and charges	22	**6,094,309**	6,201,930
Total liabilities		**2,945,882,181**	3,044,295,043
Equity and reserves			
Share capital	26	**150,000,000**	150,000,000
Revaluation reserve	26	**1,862,854**	1,917,558
Regulatory general credit risk reserve	26	**23,365,958**	43,271,402
Fair value reserve	26	**1,420,999**	13,467,174
Capital reserve	26	**2,128,100**	2,128,100
Proposed dividend	11	**80,032,609**	-
Retained earnings		**449,947,470**	538,463,869
Total equity		**708,757,990**	749,248,103
Total equity and liabilities		**3,654,640,171**	3,793,543,146

The notes on pages 16 to 92 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 06 March 2024 and signed on its behalf by:

M Kiwanuka	**S Rughani**	**M. Ssebugwawo**	**M Nalyanya**
Chairperson	*Managing Director*	*Director*	*Director*

Standard Chartered Bank Uganda Limited

Statement of changes in equity

For the year ended 31 December 2023

	Issued capital	Asset revaluation reserves	Retained Earnings	Regulatory general credit risk reserve	Proposed dividend	Fair Value Reserve	Capital Reserve	Total
	Note 26	Note 26		Note 26	Note 11	Note 26	Note 26	
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
At 1 January 2022	25,000,000	1,972,262	675,989,188	142,591,960	-	20,394,879	2,128,100	868,076,389
Profit for the year	-	-	44,238,949	-	-	-	-	44,238,949
Change in fair value reserve (net of tax)	-	-	-	-	-	(5,176,285)	-	(5,176,285)
ECL on treasury bonds and bills (net of tax)	-	-	-	-	-	(1,751,420)	-	(1,751,420)
Total comprehensive income	-	-	44,238,949	-	-	(6,927,705)	-	37,311,244
2021 Dividend Paid	-	-	(154,287,795)	-	-	-	-	(154,287,795)
Share Capital Issue	125,000,000	-	(125,000,000)	-	-	-	-	-
Share Capital Issue registration costs	-	-	(1,875,179)	-	-	-	-	(1,875,179)
Excess depreciation transfer	-	(54,704)	54,704	-	-	-	-	-
Deferred tax on excess depreciation transfer	-	-	23,444	-	-	-	-	23,444
Transfer from regulatory general credit risk	-	-	99,320,558	(99,320,558)	-	-	-	-
At 31 December 2022	150,000,000	1,917,558	538,463,869	43,271,402	-	13,467,174	2,128,100	749,248,103
At 1 January 2023	**150,000,000**	**1,917,558**	**538,463,869**	**43,271,402**	**-**	**13,467,174**	**2,128,100**	**749,248,103**
Profit for the year	**-**	**-**	**80,032,609**	**-**	**-**	**-**	**-**	**80,032,609**
Change in fair value reserve (net of tax)	**-**	**-**	**-**	**-**	**-**	**(7,802,817)**	**-**	**(7,802,817)**
ECL on treasury bonds and bills (net of tax)	**-**	**-**	**-**	**-**	**-**	**(4,243,358)**	**-**	**(4,243,358)**
Total comprehensive income	**-**	**-**	**80,032,609**	**-**	**-**	**(12,046,175)**	**-**	**67,986,434**
Proposed Dividend	**-**	**-**	**(80,032,609)**	**-**	**80,032,609**	**-**	**-**	**-**
Dividend Paid	**-**	**-**	**(108,500,000)**	**-**	**-**	**-**	**-**	**(108,500,000)**
Excess depreciation transfer	**-**	**(54,704)**	**54,704**	**-**	**-**	**-**	**-**	**-**
Deferred tax on excess depreciation transfer	**-**	**-**	**23,453**	**-**	**-**	**-**	**-**	**23,453**
Transfer from regulatory general credit risk	**-**	**-**	**19,905,444**	**(19,905,444)**	**-**	**-**	**-**	**-**
At 31 December 2023	**150,000,000**	**1,862,854**	**449,947,470**	**23,365,958**	**80,032,609**	**1,420,999**	**2,128,100**	**708,757,990**

Standard Chartered Bank Uganda Limited

Cash flow statement

For the year ended 31 December 2023

	Note	2023 Ushs '000	2022 Ushs '000
Cash flows generated from operating activities	28	**161,527,336**	(459,647,365)
Tax paid	10	**(37,748,389)**	(40,783,257)
Tax recovered		**-**	22,318,691
Repayment of interest portion of the lease liability		**(341,841)**	(42,454)
Net Cash flows generated from operating activities		**123,437,106**	(478,154,385)
Cash flows from investing activities			
Purchase of property & equipment and intangibles	17&18	**(8,648,949)**	(7,687,968)
Proceeds from sale of property and equipment		**489,100**	-
Net cash used in investing activities		**(8,159,849)**	(7,687,968)
Cash flows from financing activities			
Repayment of principal portion of lease liabilities		**(1,375,195)**	(956,834)
Dividend paid		**(108,500,000)**	(154,287,795)
Net cash flows used in financing activities		**(109,875,195)**	(155,244,629)
Increase in cash and cash equivalents		**5,402,062**	(641,086,982)
Exchange rate differences		**16,989,978**	35,717,266
Cash and cash equivalents at 1 January		**401,448,813**	1,006,818,529
Cash and cash equivalents at 31 December	29	**423,840,853**	401,448,813
Additional information on operational cash flows from interest:			
Interest received			
Loans and advances to customers:		**158,529,139**	118,717,292
Government securities:		**119,526,397**	93,470,262
Deposits with banks		**43,958,734**	23,810,288
Interest paid:			
Interest on customer deposits:		**25,522,267**	24,675,536
Deposits from banks		**3,198,130**	6,310,410

Contents - Notes to the financial statements

Standard Chartered Bank Uganda Limited
Notes to the financial statements

1. Reporting entity

Standard Chartered Bank Uganda Limited (the "Bank") is a company domiciled in Uganda. The Bank is primarily involved in the business of commercial banking and the provision of related services and is licensed under the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016. Standard Chartered Plc, a Bank registered in the United Kingdom, is the ultimate holding company.

2. Material accounting policies

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act of Uganda, 2012 and Financial Institutions Act, (2004) as amended by the Financial Institutions (Amendment) Act, 2016. The financial statements were authorised for issue by the Board of Directors on 06 March 2023.

For purposes of reporting under the Companies Act, 2012 of Uganda, the balance sheet in these financial statements is represented by the statement of financial position and the profit or loss account is represented by the statement of profit or loss and other comprehensive income.

The Bank presents the statement of financial position showing assets and liabilities in their broad order of liquidity, because this presentation provides reliable and more relevant information than separate current and non-current classifications.

(b) Basis of measurement

The financial statements have been prepared on a going concern basis and under the historical cost basis except for the following which are measured at fair value:

→ Derivative financial instruments are measured at fair value through profit or loss
→ Treasury bills and bonds at fair value through profit or loss
→ Treasury bills and bonds through other comprehensive income
→ Liabilities for cash-settled share-based payment arrangements are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Uganda shillings, which is the Bank's functional currency. All amounts have been rounded to the nearest thousands, except when otherwise indicated.

(d) Use of estimates and judgement

i) Assumptions and estimates of uncertainties

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies, business models and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reporting period.

ii) Significant accounting estimates and judgements

In determining the carrying amounts of certain assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Bank's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgement, are set out in the relevant disclosure notes for the following areas:
→ Credit impairment, including evaluation of management overlays and post-model adjustments, and determination of probability weightings for Stage 3 individually assessed provisions (Note 8)
→ Taxation (Note 10)
→ Financial instruments measured at fair value (Note 13)
→ Goodwill impairment (Note 17)
→ Provisions for liabilities and charges (Note 24)

Material accounting policies continued

New accounting standards and interpretations adopted by the Bank

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Bank's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the Bank's financial statements.

Standards that were effective for annual periods on or after 1 January 2023 that did not have a material impact on the Bank's financial statements

•IFRS 17 Insurance Contracts

•Definition of Accounting Estimates - Amendments to IAS 8

•Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 – effective 1 January 2023.

•International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12

New and revised International Financial Reporting Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standards issued but not yet effective that are not expected to have a material impact on the Bank's financial statements

•Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1 (Effective for annual periods on or after 1 January 2024)

•Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (Effective for annual periods on or after 1 January 2024)

•Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 (Effective for annual periods on or after 1 January 2024)

•Lack of exchangeability – Amendments to IAS 21 (Effective for annual periods beginning on or after 1 January 2025)

•Sale or Contribution of Assets between an investor and its Associate or Joint Venture-Amendments to IFRS 10 and IAS 28 (Effective date postponed indefinitely pending the outcome of IASB's research project on the equity method of accounting)

Going concern

These financial statements were approved by the Board of directors on 06 March 2024. The directors have made an assessment of the Bank's ability to continue as a going concern. This assessment has been made having considered the impact of COVID-19, macroeconomic and geopolitical headwinds, including:

- →A review of the Bank Strategy and Corporate Plan, both of which cover a year from the date of signing the annual report and a detailed review of all principal and emerging risks
- →An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual budget
- →Consideration of stress testing performed, including both the Bank of Uganda annual stress test and a Bank Recovery and Resolution Plan (RRP) as submitted to the PRA. Both these submissions include the application of stressed scenarios including; COVID additional waves with the accompanying economic shocks, credit impact and short term liquidity shocks. Under the tests and through the range of scenarios, the results of these

exercises and the RRP demonstrate that the Bank has sufficient capital and liquidity to continue as a going concern and meet minimum regulatory capital and liquidity requirements

→ Analysis of the capital, funding and liquidity position of the Bank, including the capital and leverage ratios, and ICAAP which summarises the Bank's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Further, funding and liquidity was considered in the context of the risk appetite metrics, including the Asset Deposit Ratio (ADR) and Liquidity Coverage Ratio (LCR)

Based on the analysis performed, the directors confirm they are satisfied that the Bank has adequate resources to continue in business for a period of at least 12 months from 06 March 2024. For this reason, the Bank continues to adopt the going concern basis of accounting for preparing the financial statements.

3. Net interest income

Accounting policy

Interest income for financial assets held at either fair value through other comprehensive income or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in profit or loss using the effective interest method.
The Bank earns interest income primarily through two activities – lending to customers and investing in debt securities – and incurs interest expense through accepting customer deposits and issuing debt securities or subordinated debt. Lending to customers to earn interest income is one of the Banks' main business activities.

The effective interest 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 estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example prepayments, extension, call and similar options) but does not consider expected credit losses.

The calculation of the effective interest rate includes transaction costs, fees and points paid or received between parties to the contract that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Where the estimates of cash flows have been revised, the carrying amount of the financial asset or liability is adjusted to reflect the actual and revised cash flows, discounted at the instrument's original effective interest rate. The adjustment is recognised as interest income or expense in the period in which the revision is made.

Interest income for financial assets that are either held at fair value through other comprehensive income or amortised cost are either purchased or originated credit impaired financial assets (POCI) or assets that have become credit impaired subsequent to initial recognition and have the amounts written off, is recognised using credit adjusted effective interest rate. The rate is calculated in the same manner as the effective interest rate except that expected credit losses are included in the expected cash flows. Should the credit risk on a stage 3 financial asset improve such that the financial asset is no longer considered credit impaired, interest income recognition reverts back to a computation based on a rehabilitated gross carrying value of a financial asset.

The Bank recognises interest income on stage 1 and stage 2 financial assets by applying the effective interest rate on the gross outstanding balance while for stage 3 financial assets, the Bank applies credit adjusted effective interest rate on recoverable amount after adjusting for the specific provisions on the impaired asset.

Interest income and expense presented in profit or loss include:
- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.
- interest on Fair value through other comprehensive income and Fair value through profit or loss investment securities calculated on an effective interest basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the statement of comprehensive income.

3. Net interest income continued

	2023 Ushs '000	2022 Ushs '000
Interest income		
Loans and advances to banks	**49,537,399**	29,762,860
Loans and advances to customers	**156,979,112**	148,396,615
Investment securities	**100,613,028**	115,512,920
Total	**307,129,539**	293,672,395
Interest expense		
Deposits by banks	**3,179,637**	7,888,013
Customer accounts	**44,084,946**	44,590,078
Current and demand deposits	**12,315,278**	10,217,616
Savings accounts	**3,035,140**	3,528,042
Time deposits	**28,734,528**	30,844,420
Deposit Insurance Premium	**5,369,505**	5,160,711
Interest expense on IFRS 16 lease liabilities	**341,841**	382,289
Total	**52,975,929**	58,021,091
Net interest income	**254,153,610**	235,651,304

4. Net fees and commission

Accounting policy

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate as detailed in the interest income note above.

Fee income recognition is governed by IFRS 15 Revenue from Contracts with Customers except for fees that are an integral part of the effective interest rate. The standard is based on a five step process for determining amounts and timing of income recognition. Fees are earned when the Bank performs contractual performance obligations (i.e. promised services) for a customer. Those obligations can be stated explicitly in the contract or implied from standard terms of business, publicly available information such as that available on the Bank's website or local historical business practices.

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. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

The Bank applies the following practical expedients:

- → information on amounts of transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period is not disclosed as almost all fee-earning contracts have an expected duration of less than one year
- → promised consideration is not adjusted for the effects of a significant financing component as the period between the Bank providing a service and the customer paying for it is expected to be less than one year
- → incremental costs of obtaining a fee-earning contract are recognised upfront in 'Fees and commission expense' rather than amortised, if the expected term of the contract is less than one year

Standard Chartered Bank Uganda Limited
Notes to the financial statements continued
4. Net fee and commission continued

The determination of the services performed for the customer, the transaction price, and when the services are completed depends on the nature of the product with the customer. The main considerations on income recognition by product are as follows:

Transaction Banking

The Bank recognises fee income associated with transactional trade and cash management at the point in time the service is provided. The Bank recognises income associated with trade contingent risk exposures (such as letters of credit and guarantees) over the period in which the service is provided.
Payment of fees is usually received at the same time the service is provided. In some cases, letters of credit and guarantees issued by the Bank have annual upfront premiums, which are amortised on a straight-line basis to fee income over the year.

Financial Markets

The Bank recognises fee income at the point in time the service is provided. Fee income is recognised for a significant non-lending service when the transaction has been completed and the terms of the contract with the customer entitle the Bank to the fee. Fees are usually received shortly after the service is provided.
Syndication fees are recognised when the syndication is complete. Fees are generally received before completion of the syndication, or within 12 months of the transaction date.
Securities services include custody services, fund accounting and administration, and broker clearing. Fees are recognised over the period the custody or fund management services are provided, or as and when broker services are requested.

Wealth Management

Upfront consideration on bancassurance agreements is amortised straight-line over the contractual term. Commissions for bancassurance activities are recorded as they are earned through sales of third-party insurance products to customers. These commissions are received within a short time frame of the commission being earned. Target-linked fees are accrued based on percentage of the target achieved, provided it is assessed as highly probable that the target will be met. Cash payment is received at a contractually specified date after achievement of a target has been confirmed.

Upfront and trailing commissions for managed investment placements are recorded as they are confirmed. Income from these activities is relatively even throughout the period, and cash is usually received within a short time frame after the commission is earned.

Retail Products

The Bank recognises most income at the point in time the Bank is entitled to the fee, since most services are provided at the time of the customer's request.

	2023 Ushs '000	2022 Ushs '000
Fees and commissions income	**54,631,764**	55,746,522
Fees and commissions expense	**(10,964,296)**	(7,559,474)
Net fees and commission	**43,667,468**	48,187,048

5. Net trading income

Accounting policy

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are recorded in net trading income in the period in which they arise. This includes contractual interest receivable or payable.
Income is recognised from the sale and purchase of trading positions, margins on market trading and customer business and fair value changes.
When the initial fair value of a financial instrument held at fair value through profit or loss relies on unobservable inputs, the difference between the initial valuation and the transaction price is amortised to net trading income as the inputs become observable or over the life of the instrument, whichever is shorter. Any unamortised 'day one' gain is released to net trading income if the transaction is terminated.

Standard Chartered Bank Uganda Limited

Notes to the financial statements continued

5. Net trading income continued

	2023 Ushs '000	2022 Ushs '000
Net trading income	**77,469,449**	93,088,912
Material items within net trading income include:		
Interest income on financial instruments held at fair value through profit or loss	**13,041,924**	16,717,530
Gains on instruments held for trading[1]	**76,375,675**	74,211,586
Realized (losses)/ gains on financial assets mandatorily at fair value through profit or loss	**(5,985,277)**	821,081
Unrealized (losses)/ gains on financial assets designated at fair value through profit or loss	**(5,962,873)**	1,338,715

1 Gains on instruments held for trading comprises of gains from foreign exchange dealings and trading of investment securities held at fair value through profit and loss.

6. Other operating income

Accounting policy

Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate. On disposal of fair value through other comprehensive income debt instruments, the cumulative gain or loss recognised in other comprehensive income is recycled to the profit or loss in other operating income/expense.

On disposal of Property, plant and equipment and leased assets , the cumulative gain or loss is recognised in the profit or loss in other operating income/expense.

	2023 Ushs '000	**2022** Ushs '000
Other operating income includes:		
Gains less losses on disposal of fair value through other comprehensive income debt	**5,547,983**	352,774
Gain on sale of property, plant and equipment	**168,391**	-
Other	**3,452**	(71,174)
Other operating income	**5,719,826**	281,600

7. Operating expenses

Accounting policy

Retirement benefit obligations

The Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'staff costs'. Unpaid contributions are recorded as a liability. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The Bank also contributes to the National Social Security Fund (NSSF) which contributions are also charged to profit or loss as incurred.

Share based payment transactions

Certain staff participate in a share based payment arrangement organised and managed at SCB group level. The cost of equity settled options or share awards is calculated at the time of grant based on the fair value of the equity instruments granted and the expected number of awards that will vest. Once determined, the fair value of an award does not change; however, the cost may vary due to higher or lower than expected lapses. The cost of the awards is charged to the income statement over the vesting period.

Short term benefits

Short term benefits consist of salaries, bonuses and any non-monetary benefits. They exclude equity based benefits and termination benefits.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

7. Operating expenses continued

A provision is recognised for the amount expected to be paid under a short term cash bonus only if the Bank has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and if the obligation can be measured reliably.

	2023 Ushs '000	2022 Ushs '000
Staff costs:		
Wages and salaries	**54,417,027**	49,492,562
Social security costs	**5,112,059**	4,623,802
Other pension costs	**3,216,829**	2,797,776
Share-based payment costs	**317,812**	221,897
Other staff costs	**5,572,220**	4,679,487
	68,635,947	61,815,524

There are no redundancy expenses recorded under other staff costs for the year (2022: Nil). Further costs in this category include training, travel costs and other staff related costs.

Staff costs include the effect of staff loans fair valuation of Ushs 3,325 million (31 December 2022: Ushs 2,798 million).

The following table summarises the number of employees within the Bank:

	2023			2022[1]		
	Business	Support services	Total	Business	Support services	Total
At 31 December	**290**	**50**	**340**	306	51	357
Average for the year	**301**	**51**	**352**	320	51	371

Details of directors' pay, benefits, pensions and benefits and interests in shares are disclosed in the Directors' remuneration report where transactions with directors, officers and other related parties are disclosed in Note 30.

	2023 Ushs '000	2022 Ushs '000
Premises and equipment expenses:	**5,721,440**	4,670,873
General administrative expenses:		
Professional services	**8,259,009**	5,769,821
Advertising and marketing	**3,924,614**	2,888,994
Auditor's remuneration	**700,430**	362,129
Directors' remuneration fees	**484,846**	401,757
Shared service center costs	**13,977,907**	13,254,864
Technology recharges	**28,818,577**	29,584,570
Financial group cost recharges	**69,010,298**	49,295,397
Reverse tax on recharges	**20,935,860**	7,474,119
Frauds and shortages	**36,978**	138,135
Communication costs	**5,150,969**	5,929,272
Business travel and accommodation	**1,646,825**	1,931,183
Other general administrative expenses	**6,170,253**	7,349,648
	159,116,566	124,379,889
Depreciation and amortisation:		
Property, plant and equipment:		
Premises	**211,885**	396,919
Equipment	**2,112,568**	2,353,423
Operating lease assets	**1,499,082**	1,322,993
	3,823,535	4,073,335
Intangibles:		
Software	**3,145,189**	4,266,430
	6,968,724	8,339,765
Total operating expenses	**240,442,677**	199,206,051

*Ernst & Young, the external auditors for the year ended 31 December 2023 had no non assurance services provided to the bank and as such no costs recorded other than audit fees. (2022: nil)

8. Credit impairment Accounting policy

Expected credit losses

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments, and financial guarantees.
An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment, or financial guarantee.
A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Bank expects to receive over the contractual life of the instrument.

Measurement

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward-looking.

For Corporate, Commercial and Institutional Banking portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument. Further details on the components of PD, LGD and EAD are disclosed in the Credit risk section.
For Consumer, Private and Business Banking, the Bank has adopted less sophisticated approaches based on historical roll rates or loss rates.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices among others. These assumptions are incorporated using the Bank's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent with those used for budgeting, forecasting and capital planning.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts. These scenarios are determined using a Monte Carlo approach centred around the Bank's most likely forecast of macroeconomic assumptions.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Bank is exposed to credit risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the Bank's exposure to credit risk is not limited to the contractual period. For these instruments, the Bank estimates an appropriate life based on the period that the Bank is exposed to credit risk, which includes the effect of credit risk management actions such as the withdrawal of undrawn facilities.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement.

The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.
Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.
Cash shortfalls are discounted using the effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired instruments (POCI)) on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

Notes to the financial statements continued

8. Credit impairment continued

Expected credit losses are presented in the statement of financial position as follows:

Instruments	Location of expected credit loss provisions
Financial assets held at amortised cost	Loss provisions: netted against gross carrying value[1]
Financial assets held FVOCI - Debt instruments	Other comprehensive income (FVOCI expected credit loss reserve)[2]
Loan commitments	Provisions for liabilities and charges[3]
Financial guarantees	Provisions for liabilities and charges[3]

1. Purchased or originated credit-impaired assets do not attract an expected credit loss provision on initial recognition. An expected credit loss provision will be recognised only if there is an increase in expected credit losses from that considered at initial recognition
2. Bonds and treasury securities classified as fair value through other comprehensive income (FVOCI) are held at fair value on the face of the balance sheet. The expected credit loss attributed to these instruments is held as a separate reserve within other comprehensive income (OCI) and is recycled to the profit and loss account along with any fair value measurement gains or losses held within FVOCI when the applicable instruments are derecognised
3. Expected credit loss on loan commitments and financial guarantees is recognised as a liability provision. Where a financial instrument includes both a loan (i.e. financial asset component) and an undrawn commitment (i.e. loan commitment component), and it is not possible to separately identify the expected credit loss on these components, expected credit loss amounts on the loan commitment are recognised together with expected credit loss amounts on the financial asset. To the extent the combined expected credit loss exceeds the gross carrying amount of the financial asset, the expected credit loss is recognised as a liability provision

Identification and measurement

IFRS 9 introduces a principles-based approach to the classification of financial assets. There are three measurement classifications under IFRS 9; amortised cost, fair value through profit or loss (FVTPL) and for financial assets, fair value through other comprehensive income (FVOCI) based on the nature of the cash flows of the assets and an entity's business model. The impairment model (ECL model) contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

12 months expected credit losses (stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit-impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

Material increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

Material increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Material does not mean statistically material nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is material or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a material increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, material increase in credit risk is primarily based on 30 days past due. When the Bank determines that there have been material increase in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

Quantitative factors include an assessment of whether there has been material increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. We compare the residual lifetime PD at the balance sheet date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a material increase in credit risk.

8. Credit impairment continued

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring) and observed changes in external indicators, such as external credit rating or CDSs for corporate lending exposures and credit bureau information, days past due and other management actions for Consumer, Private & Business Banking.

A non-purely precautionary early alert account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances among other factors.

Credit-impaired (or defaulted) exposures (Stage 3)

Financial assets that are credit-impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired. Evidence that a financial asset is credit-impaired includes observable data about the following events:

→ Significant financial difficulty of the issuer or borrower;

→ Breach of contract such as default or a past due event;

→ For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider. This would include forbearance actions;

→ Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s;

→ The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower;

→ Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses

Irrecoverable lending commitments to a credit-impaired obligor that have not yet been drawn down are included to the extent that the commitment cannot be withdrawn. Loss provisions against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the expected cash shortfalls, discounted at the instrument's original effective interest rate, and the gross carrying value (including contractual interest due but not paid) of the instrument prior to any credit impairment.

Material accounting estimates and judgements

The Bank's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The material judgements in determining expected credit loss include:

→ The Bank's criteria for assessing if there has been a material increase in credit risk;

→ Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables;

→ Evaluation of management overlays and post-model adjustments;

→ Determination of probability weightings for Stage 3 individually assessed provisions

The calculation of credit impairment provisions also involves expert credit judgement to be applied by the credit risk management team based upon counterparty information they receive from various sources including relationship managers and on external market information. Details on the approach for determining expected credit loss can be found in the credit risk section, under IFRS 9 Methodology.

Estimates of forecasts of key macroeconomic variables underlying the expected credit loss calculation can be found within the Risk review, Key assumptions and judgements in determining expected credit loss.

8. Credit impairment continued

Expert credit judgement

For Corporate & Institutional, Commercial and Private Banking, borrowers are graded by credit risk management on a credit grading (CG) scale from CG1 to CG14. Once a borrower starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as CG12 the credit assessment and oversight of the loan will normally be performed by Stressed Assets Group (SAG).

Borrowers graded CG12 exhibit well-defined weaknesses in areas such as management and/or performance but there is no current expectation of a loss of principal or interest. Where the impairment assessment indicates that there will be a loss of principal on a loan, the borrower is graded a CG14 while borrowers of other credit-impaired loans are graded CG13. Instruments graded CG13 or CG14 are regarded as non-performing loans i.e. Stage 3 or credit impaired exposures.

For individually material financial assets within stage 3, SAG will consider all judgements that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geopolitical climate of the customer, quality of realisable value of collateral, the Bank's legal position relative to other claimants and any renegotiation/ forbearance/ modification options. The future cash flow calculation involves material judgements and estimates. As new information becomes available and further negotiations/ forbearance measures are taken the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis.

For financial assets which are not individually material, such as the Consumer, Private & Business Banking portfolio or small business loans, which comprise a large number of homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

Consumer, Private & Business Banking clients are considered credit-impaired where they are more than 90 days past due. Consumer, Private & Business Banking products are also considered credit-impaired if the borrower files for bankruptcy or other forbearance programme, the borrower is deceased or the business is closed in the case of a small business, or if the borrower surrenders the collateral, or there is an identified fraud on the account. Additionally, if the account is unsecured and the borrower has other credit accounts with the Bank that are considered credit-impaired, the account may be also be credit-impaired.

Techniques used to compute impairment amounts use models which analyse historical repayment and default rates over a time horizon. Where various models are used, judgement is required to analyse the available information provided and select the appropriate model or combination of models to use.

Expert credit judgement is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the models.

Modified financial instruments

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised (an instrument is derecognised when a modification results in a change in cash flows that the Bank would consider substantial), the resulting modification loss is recognised within credit impairment in the income statement with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the bank would not otherwise consider, the instrument is considered to be credit-impaired and is considered forborne.

Expected credit loss for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a material increase in credit risk. These assets are assessed (by comparison to the origination date) to determine whether there has been a material increase in credit risk subsequent to the modification.

Although loans may be modified for non-credit reasons, a material increase in credit risk may occur. In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in expected credit loss recognised within impairment.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original Effective Interest Rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

8. Credit impairment continued

Where derecognition of financial assets is appropriate (see Derecognition), the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit impaired assets (POCI).

Forborne loans

Forborne loans are those loans that have been modified in response to a customer's financial difficulties. Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the Bank or a third-party including government sponsored programmes or a conglomerate of credit institutions. Forbearance may include debt restructuring such as new repayment schedules, payment deferrals, tenor extensions, interest only payments, lower interest rates, forgiveness of principal, interest or fees, or relaxation of loan covenants.

Forborne loans that have been modified (and not derecognised) on terms that are not consistent with those readily available in the market and/or where we have granted a concession compared to the original terms of the loans are considered credit-impaired if there is a detrimental impact on cash flows. The modification loss (see Classification and measurement – Modifications) is recognised in the profit or loss within credit impairment and the gross carrying value of the loan reduced by the same amount. The modified loan is disclosed as 'Loans subject to forbearance – credit-impaired'.

Loans that have been subject to a forbearance modification, but which are not considered credit-impaired (not classified as CG13 or CG14), are disclosed as 'Forborne – not credit-impaired'. This may include amendments to covenants within the contractual terms.

Write-offs of credit-impaired instruments and reversal of impairment

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for credit impairment in the income statement.

If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Loss provisions on purchased or originated credit-impaired instruments (POCI)

The Bank measures expected credit loss on a lifetime basis for POCI instruments throughout the life of the instrument. However, expected credit loss is not recognised in a separate loss provision on initial recognition for POCI instruments as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. The Bank recognises the change in lifetime expected credit losses arising subsequent to initial recognition in the income statement and the cumulative change as a loss provision. Where lifetime expected credit losses on POCI instruments are less than those at initial recognition, then the favourable differences are recognised as impairment gains in the income statement (and as impairment loss where the expected credit losses are greater).

Improvement in credit risk/curing

A period may elapse from the point at which instruments enters lifetime expected credit losses (stage 2 or stage 3) and are reclassified back to 12-month expected credit losses (stage 1). For financial assets that are credit-impaired (stage 3), a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a material increase in credit risk.

Where material increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met. Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where management actions led to instruments being classified as stage 2, requiring that action to be resolved before loans are reclassified to stage 1.

8. Credit impairment continued

A forborne loan can only be removed from being disclosed as forborne if the loan is performing (stage 1 or 2) and a further two-year probation period is met. For a forborne loan to become performing, the following criteria have to be satisfied:

→ At least a year has passed with no default based upon the forborne contract terms

→ The customer is likely to repay its obligations in full without realising security

→ The customer has no accumulated impairment against amount outstanding (except for ECL)

Subsequent to the criteria above, a further two-year probation period has to be fulfilled, whereby regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due.

Ugandan Financial Institutions Act, 2004 requirements as amended by the FIA Act, 2016

In addition to the measurement of impairment losses on loans and advances in accordance with International Financial Reporting Standards as set out above, the Bank is also required by the Uganda Financial Institutions Act 2004 as amended by the Financial Institutions (Amendment) Act, 2016, to estimate losses on loans and advances as follows:

Specific provisions

A specific provision for those loans and advances considered to be non-performing based on criteria and classification of such loans and advances established by the Financial Institutions Act 2004, as amended by the Financial Institutions (Amendment) Act, 2016, as follows:

→ Substandard assets with arrears period between 90 days and 179 days – 20%

→ Doubtful assets with arrears period between 180 days and 364 days – 50%

Loss assets with arrears period over one year or more – 100%

Loans classified as “loss” are written off within 90 days, unless approval is obtained from Bank of Uganda not to write-off.

In addition to the arrears period, the Bank must follow subjective criteria in arriving at the classification attributed to the assets.

General Provision

A general provision of at least 1% of total outstanding credit facilities net of specific provisions and interest in suspense.

Where provisions for impairment of loans and advances in accordance with the Ugandan Financial Institutions Act 2004 as amended by the Financial Institutions (Amendment) Act, 2016 exceed amounts determined in accordance with International Financial Reporting Standards, the excess is taken to the regulatory general credit risk reserve as an appropriation of retained earnings. Where a loan has been classified as “loss” and is due for write-off in accordance with the Uganda Financial Institutions Act 2004 as amended by the Financial Institutions (Amendment) Act, 2016, but there is objective evidence that the Bank has not lost its right to this asset and the cash flows thereon, and as such the de-recognition criteria under the International Financial Reporting Standards and policy note (f) (iii) have not been met, the outstanding amount net of any impairment provision made in accordance with International Financial Reporting Standards is taken to the regulatory general credit risk reserve as an appropriation of retained earnings. Otherwise no further accounting entries are made.

	2023 Ushs '000	2022 Ushs '000
Net credit impairment on Deposits and balances due from other banking institutions	**46,486**	69,223
Net credit impairment on loans and advances to banks and customers	**38,734,517**	94,566,395
Net credit impairment on debt securities	**(6,061,940)**	(3,317,315)
Net credit impairment relating to financial guarantees and loan commitments	**(150,799)**	185,680
Credit impairment	**32,568,264**	91,503,983

9. Property, plant and equipment and other impairment

Accounting policy

Refer to the below referenced notes for the relevant accounting policy.

	2023 Ushs '000	2022 Ushs '000
Goodwill, property, plant and equipment and other impairment	**5,992**	10,541

10. Taxation

Accounting policy

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally recognised in profit or loss.

Current and deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the income statement together with the current or deferred gain or loss.

10. Taxation continued

Material accounting estimates and judgements

In determining the amount of current and deferred tax, the bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

- → Determining the Bank's tax charge for the year involves estimation and judgement, which includes an interpretation of local tax laws and an assessment of whether the tax authorities will accept the position taken. These judgements take account of external advice where appropriate, and the Bank's view on settling with the relevant tax authorities
- → The Bank provides for current tax liabilities at the best estimate of the amount that is expected to be paid to the tax authorities where an outflow is probable. In making its estimates the Bank assumes that the tax authorities will examine all the amounts reported to them and have full knowledge of all relevant information
- → The recoverability of the Bank's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised. In preparing management forecasts the effect of applicable laws and regulations relevant to the utilisation of future taxable profits have been considered.

The following table provides analysis of taxation charge in the year:

	2023 Ushs '000	2022 Ushs '000
The charge for taxation based upon the profit for the year comprises:		
Current tax:		
Corporation tax at 30 per cent (2021: 30 per cent):		
Current tax charge for the year	**30,716,539**	41,968,547
	30,716,539	41,968,547
Deferred tax:		
Charge for the year	**(2,755,728)**	280,793
	(2,755,728)	280,793
Tax charge for the year	**27,960,811**	42,249,340
Effective tax rate	**25.89%**	48.85%

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of 30% (2022: 30%) as follows:

	2023 Ushs '000	2023 %	2022 Ushs '000	2022 %
Profit before taxation	**107,993,420**		86,488,289	
Tax at 30 per cent (2022: 30 per cent)	**32,398,026**	-	25,946,487	-
Withholding tax on interest income from government securities *	**16,262,064**	-	20,569,818	-
Tax exempt income	**(29,306,486)**	-	(32,575,912)	-
Tax on non business expenses	**225,826**	-	547,973	-
Tax on IFRS specific provisions	**8,381,381**	-	27,305,965	-
Prior year over provision	**-**	-	455,010	-
Tax charge for the year	**27,960,811**	**25.89%**	42,249,340	48.85%

*Withholding tax, which is currently at 20% on interest income from government securities (Treasury bills and Government bonds) with tenures below 10 years and 10% for tenures above 10 years, is treated as final tax.

10. Taxation continued

Factors affecting the tax charge in future years: The Bank's tax charge, and effective tax rate in future years could be affected by several factors including acquisitions, disposals and restructuring of our businesses, changes in tax legislation and tax rates and resolution of uncertain tax positions.
The evaluation of uncertain tax positions involves an interpretation of local tax laws which could be subject to challenge by a tax authority, and an assessment of whether the tax authorities will accept the position taken. The Bank does not currently consider that assumptions or judgements made in assessing tax liabilities have a significant risk of resulting in a material adjustment within the next financial year.

Tax recognized in other comprehensive income

	2023			2022		
	Current tax	Deferred tax	Total	Current tax	Deferred tax	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Items that may be reclassed subsequently to income statement	**-**	**3,344,064**	**3,344,064**	-	2,218,408	2,218,408
Debt instruments at fair value through other comprehensive income	**-**	**3,344,064**	**3,344,064**	-	2,218,408	2,218,408
Total tax credit/(charge) recognised in equity	**-**	**3,344,064**	**3,344,064**	-	2,218,408	2,218,408

Current tax: The following are the movements in current tax during the year:

Current tax comprises:	2023 Ushs '000	2022 Ushs '000
Current tax assets	**(7,211,162)**	17,138,034
Current tax liabilities	**-**	-
Net current tax opening balance	**(7,211,162)**	17,138,034
Charge for the year	**(30,716,539)**	(42,813,762)
Taxes paid	**37,748,389**	40,783,257
Taxes received	**-**	(22,318,691)
Net current tax balance as at 31 December	**(179,312)**	(7,211,162)
Current tax assets	**-**	-
Current tax liabilities	**(179,312)**	(7,211,162)
Total	**(179,312)**	(7,211,162)

10. Taxation continued

Deferred tax: The following are the major deferred tax liabilities and assets recognised by the Bank and movements thereon during the year:

	At 1 January 2023 Ushs '000	(Charge)/ credit to profit Ushs '000	(Charge)/ credit to equity Ushs '000	At 31 December 2023 Ushs '000
Deferred tax comprises:				
Accelerated tax depreciation	**6,780**	**(928,512)**	**-**	**(921,732)**
Impairment provisions on financial assets	**181,229**	**(2,214,415)**	**1,818,582**	**(214,604)**
Fair value through other comprehensive income	**(3,756,844)**	**-**	**3,344,064**	**(412,780)**
Premises revaluation	**(821,807)**	**-**	**23,444**	**(798,363)**
Other temporary differences	**2,296,120**	**5,898,655**	**-**	**8,194,775**
Net deferred tax assets/ (liabilities)	**(2,094,522)**	**2,755,728**	**5,186,090**	**5,847,296**

	At 1 January 2022 Ushs '000	(Charge)/ credit to profit Ushs '000	(Charge)/ credit to equity Ushs '000	At 31 December 2022 Ushs '000
Deferred tax comprises:				
Accelerated tax depreciation	584,288	(577,508)	-	6,780
Impairment provisions on financial assets	(1,241,483)	672,103	750,610	181,229
Fair value through other comprehensive income	(5,975,252)	-	2,218,408	(3,756,844)
Premises revaluation	(845,251)	-	23,444	(821,807)
Retirement benefit obligations	28,334	(28,334)	-	-
Other temporary differences	2,643,174	(347,054)	-	2,296,120
Net deferred tax assets/ (liabilities)	(4,806,190)	(280,793)	2,992,462	(2,094,522)

	2023			2022		
	Total Ushs '000	Asset Ushs '000	Liability Ushs '000	Total Ushs '000	Asset Ushs '000	Liability Ushs '000
Deferred tax comprises:						
Accelerated tax depreciation	**(921,732)**	**-**	**(921,732)**	6,780	6,780	-
Impairment provisions on loans and advances	**(214,604)**	**-**	**(214,604)**	181,229	181,229	-
Fair value through other comprehensive income	**(412,780)**	**-**	**(412,780)**	(3,756,844)	-	(3,756,844)
Premises revaluation	**(798,363)**	**-**	**(798,363)**	(821,807)	-	(821,807)
Other temporary differences	**8,194,775**	**8,194,775**	**-**	2,296,120	2,296,120	-
Net deferred tax assets/ (liabilities)	**5,847,296**	**8,194,775**	**(2,347,479)**	(2,094,522)	2,484,129	(4,578,651)

Notes to the financial statements continued

11. Dividends

Accounting policy

Dividends on ordinary shares are recognised in equity in the year in which they are declared. Dividends on ordinary equity shares are recorded in the year in which they are declared and, in respect of the final dividend, have been approved by the shareholders.

The Board considers a number of factors prior to dividend declaration which includes the rate of recovery in the Bank's financial performance, the macroeconomic environment, and opportunities to further invest in our business and grow profitably in our markets.

Ordinary equity shares

	2023 Ushs '000	2022 Ushs '000
Proposed dividend	80,032,609	-
Final dividend paid during the year	108,500,000	154,287,795

Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity share dividends set out above relate to the respective prior years.

12. Earnings per ordinary share

Accounting policy

Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, excluding own shares held. Diluted earnings per ordinary share is calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, excluding own shares held.

The Bank also measures earnings per share on an underlying basis. This differs from earnings defined in IAS 33 Earnings per share. Underlying earnings is profit/(loss) attributable to ordinary shareholders adjusted for profits or losses of a capital nature; amounts consequent to investment transactions driven by strategic intent; and other infrequent and/or exceptional transactions that are material in the context of the Bank's normal business earnings for the year.

The table below provides the basis of underlying earnings.

	2023 Ushs '000	2022 Ushs '000
Profit for the period attributable to equity holders	80,032,609	44,238,949
Basic - Weighted average number of shares ('000s)	150,000	150,000
Basic earnings per ordinary share (Ushs)	534	295
Diluted earnings per ordinary share (Ushs)	534	295

13. Financial instruments

Classification and measurement

Accounting policy

Classification and measurement

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the Bank include balances with Bank of Uganda, loans and advances, investments in government securities, balances with other banks, deposits, derivatives and group balances.

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

The Bank classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss. Financial liabilities are classified as either amortised cost,or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

Financial assets held at amortised cost and fair value through other comprehensive income

Debt instruments held at amortised cost or fair value through profit or loss have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI characteristics). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as the amounts are repaid. Interest consists of consideration for time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs as well as a profit margin.

In assessing whether the contractual cash flows have the SPPI characteristics, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the bank considers;

- → Contingent events that would change the timing and amount of the cash flows;
- → Prepayment and extension terms
- → Terms that limit the Banks claim to cash flows from a specified asset
- → Features that may modify consideration of time value of money e.g. periodical reset of interest rates

The Bank makes an assessment of the objective of a business model in which an asset is held at the individual product business line and where applicable within the business lines depending on the way the business is managed and information provided to management. Factors considered include;

- → How the performance of the product business line is evaluated and reported to the Bank's management
- → How managers of the business model are compensated, including whether management is compensated based on the fair value of the asset or the contractual cash flows collected
- → The risks that affect the performance of the business model and how risks are managed
- → The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity

13. Financial instruments continued

Business Model	Business Objective	Characteristics	Products
Hold to collect	Intent to originate financial assets and hold them to maturity, collecting the contractual cash flows over the term of the instrument	- Providing financing and originating assets to earn interest income as a primary income stream. - Performing credit risk management activities - Costs include funding costs, transaction and impairment losses	-Loans and advances -Repos -Placements
Hold to collect and sell	Business objective met through both hold to collect and by selling financial assets	- Portfolio held for liquidity needs; or where a certain interest yield profile is maintained; or that are normally rebalanced to achieve matching of duration of assets and liabilities. - Income streams come from interest income, fair value changes and impairment losses	-Treasury bills and bonds
Fair value through profit or loss	All other business objectives, including trading and managing financial assets on fair value basis	- Assets held for trading - Performance of portfolio is evaluated on a fair value basis - Income streams are from fair value changes or trading gains and losses	-Government bills and bonds -Derivatives

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (“hold to collect”) are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (“Hold to collect and sell”) are classified as FVOCI.

Both “hold to collect” and “hold to collect and sell” business models involve holding financial assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset values play in meeting the objective under which a particular group of assets is managed. Hold to collect business models are characterised by asset values that are incidental to meeting the objective under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in credit risk of financial assets but sales for other reasons should be infrequent and insignificant.

Cash flows from the sale of a financial asset under a hold to collect and sell business model in contrast are integral to achieving the objectives under which a particular group of financial assets is managed. This may be a case where frequent sales of financial assets are required to manage the Bank’s liquidity requirements or in order to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business model are therefore both more frequent and more significant in value than those under hold to collect model.

Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held at fair value through other comprehensive income are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

13. Financial instruments continued

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss include:

- → Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term
- → Hybrid financial assets that contain one or more embedded derivatives
- → Financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics
- → Equity instruments that have not been designated as held at FVOCI
- → Financial liabilities that constitute contingent consideration in a business combination

Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis ('accounting mismatch').

Interest rate swaps have been acquired with the intention of significantly reducing interest rate risk on certain loans and advances and debt securities with fixed rates of interest. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these loans and advances and debt securities have been designated at fair value through profit or loss.

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have a bifurcately embedded derivative where the Bank is not able to separately value the embedded derivative component.

Financial guarantee contracts and loan commitments

The Bank issues financial guarantee contracts and loan commitments in return for fees. Under a financial guarantee contract, the Bank undertakes to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantee contracts and loan commitments issued at below market interest rates are initially recognised as liabilities at fair value and subsequently at the higher of the expected credit loss allowance, and the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from contracts with Customers.

Measurement

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Bank has access at that date. The fair value of a liability includes the risk that the bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument and for unlisted securities is not active, the Bank establishes fair value by using valuation techniques.

13. Financial instruments continued

Initial measurement of financial instruments

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade-date (the date on which the Bank commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on the settlement date (the date on which cash is advanced to the borrowers). All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, which are recorded at fair value.

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss. In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised or released to the income statement as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement of financial instruments

Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method (see Revenue recognition section). Foreign exchange gains and losses are recognised in the profit or loss. Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, it's carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in income.

Changes in expected credit losses are recognised in the profit or loss and are accumulated in a separate component of equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss. Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the net trading income line in the profit or loss unless the instrument is part of a cash flow hedging relationship. Contractual interest income on financial assets held at fair value through profit or loss is recognised as trading income in a separate line in the profit or loss.

Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in the profit or loss, other than that attributable to changes in credit risk. Fair value changes attributable to credit risk and recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated fair value through profit or loss is recognised in profit or loss.

13. Financial instruments continued

De-recognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognised to the extent of the Bank's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred such that the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for equity instruments elected as FVOCI (see above) and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively. However, where a financial liability has been modified, it is derecognised if the difference between the modified cash flows and the original cash flows is more than 10 per cent.

If the Bank purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in 'Other income' except for the cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income which are never recycled to the profit or loss.

Reclassification of financial instruments

Financial liabilities are not reclassified subsequent to initial recognition. Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

Reclassified from Amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit or loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss. For financial assets held at amortised cost that are reclassified to fair value through other comprehensive income, the difference between the fair value of the assets at the date of reclassification and the previously amortised cost is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from loan loss allowances to a separate reserve in other comprehensive income at the date of reclassification.

Reclassified from fair value through other comprehensive income

Where financial assets held at fair value through other comprehensive income are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the profit or loss.

For financial assets held at fair value through other comprehensive income that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

Notes to the financial statements continued

13. Financial instruments continued

Reclassified from fair value through profit or loss

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at fair value through other comprehensive income or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

The Bank's classification of its financial assets and liabilities is summarised in the following tables.

2023

Assets	Notes	Assets at fair value: Fair value through profit or Loss	Designated at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
		Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Cash and balances at central banks		-	-	-	-	370,788,638	370,788,638
Financial assets held at fair value through profit or loss							
Debt securities, alternative tier one and other eligible bills		226,542,009	-	-	226,542,009	-	226,542,009
		226,542,009	-	-	226,542,009	-	226,542,009
Derivative financial instruments	14	8,295,909	-	-	8,295,909	-	8,295,909
Loans and advances to banks	15	-	-	-	-	1,245,016	1,245,016
Loans and advances to customers	15	-	-	-	-	1,129,961,900	1,129,961,900
Investment securities							
Debt securities, alternative tier one and other eligible bills		-	-	902,988,998	902,988,998	-	902,988,998
		-	-	902,988,998	902,988,998	-	902,988,998
Other assets	20	-	-	-	-	89,833,402	89,833,402
Total at 31 December		**234,837,918**	**-**	**902,988,998**	**1,137,826,916**	**1,591,828,956**	**2,729,655,872**

2022

Assets	Notes	Assets at fair value: Fair value through profit or Loss	Designated at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
		Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Cash and balances at central banks		-	-	-	-	343,675,907	343,675,907
Financial assets held at fair value through profit or loss							
Debt securities, alternative tier one and other eligible bills		157,294,669	-	-	157,294,669	-	157,294,669
		157,294,669	-	-	157,294,669	-	157,294,669
Derivative financial instruments	14	11,889,467	-	-	11,889,467	-	11,889,467
Loans and advances to banks	15	-	-	-	-	16,602,958	16,602,958
Loans and advances to customers	15	-	-	-	-	1,222,126,309	1,222,126,309
Investment securities							
Debt securities, alternative tier one and other eligible bills		-	-	1,002,955,370	1,002,955,370	-	1,002,955,370
		-	-	1,002,955,370	1,002,955,370	-	1,002,955,370
Other assets	20	-	-	-	-	109,303,991	109,303,991
Total at 31 December		169,184,136	-	1,002,955,370	1,172,139,506	1,691,709,165	2,863,848,671

13. Financial instruments continued

2023

Liabilities	Notes	Liabilities at fair value: Total financial liabilities held at fair value through profit or loss Ushs '000	Liabilities at fair value: Total financial liabilities at fair value Ushs '000	Amortised cost Ushs '000	Total Ushs '000
Derivative financial instruments	14	**6,238,993**	**6,238,993**	**-**	**6,238,993**
Deposits by banks		**-**	**-**	**115,824,706**	**115,824,706**
Customer accounts		**77,732,404**	**77,732,404**	**2,466,697,494**	**2,544,429,898**
Other liabilities	21	**-**	**-**	**227,692,297**	**227,692,297**
Due to group and other related parties	30	**-**	**-**	**17,779,816**	**17,779,816**
Total at 31 December 2023		**83,971,397**	**83,971,397**	**2,827,994,313**	**2,911,965,710**

2022

Liabilities	Notes	Liabilities at fair value: Total financial liabilities held at fair value through profit or loss Ushs '000	Liabilities at fair value: Total financial liabilities at fair value Ushs '000	Amortised cost Ushs '000	Total Ushs '000
Derivative financial instruments	14	13,416,451	13,416,451	-	13,416,451
Deposits by banks		-	-	137,347,571	137,347,571
Customer accounts		109,514,094	109,514,094	2,409,325,844	2,518,839,938
Repurchase agreements	16	-	-	20,000,034	20,000,034
Other liabilities	21	-	-	245,223,114	245,223,114
Due to group and other related parties	30	-	-	67,685,111	67,685,111
Total at 31 December 2022		122,930,545	122,930,545	2,879,581,674	3,002,512,219

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In practice, for credit mitigation, the Bank is able to offset assets and liabilities which do not meet the IAS 32 netting criteria set out below. Such arrangements include master netting arrangements for derivatives and global master repurchase agreements for repurchase and reverse repurchase transactions. These agreements generally allow that all outstanding transactions with a particular counterparty can be offset but only in the event of default or other predetermined events.

In addition, the Bank also receives and pledges readily realisable collateral for derivative transactions to cover net exposure in the event of a default. Under repurchase and reverse repurchase agreements the Bank pledges (legally sells) and obtains (legally purchases) respectively, highly liquid assets which can be sold in the event of a default.

The following tables set out the impact of netting on the balance sheet. This comprises derivative transactions settled through an enforceable netting agreement where we have the intent and ability to settle net and which are offset on the balance sheet.

	2023			
	Gross amounts of recognised financial instruments	Net amounts of financial instruments presented in the balance sheet	Net amount: Financial collateral	
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets				
Derivative financial instruments	**8,295,909**	**8,295,909**	**-**	**8,295,909**
At 31 December 2023	**8,295,909**	**8,295,909**	**-**	**8,295,909**
Liabilities				
Derivative financial instruments	**6,238,993**	**6,238,993**	**-**	**6,238,993**
At 31 December 2023	**6,238,993**	**6,238,993**	**-**	**6,238,993**

13. Financial instruments continued

	2022			
	Gross amounts of recognised financial instruments	Net amounts of financial instruments presented in the balance sheet	Net amount Financial collateral	
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets				
Derivative financial instruments	6,152,008	11,889,467	-	11,889,467
At 31 December 2022	6,152,008	11,889,467	-	11,889,467
Liabilities				
Derivative financial instruments	6,396,201	13,416,451	-	13,416,451
Repurchase agreements and other similar secured borrowing	(20,796,591)	20,000,034	(20,000,034)	-
At 31 December 2022	(14,400,390)	33,416,485	(20,000,034)	13,416,451

Valuation of financial instruments

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Bank. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison with instruments that have characteristics similar to those of the instruments held by the Bank.

The Valuation Methodology function is responsible for independent price verification, oversight of fair value and appropriate value adjustments and escalation of valuation issues. Independent price verification is the process of determining that the valuations incorporated into the financial statements are validated independent of the business area responsible for the product. The Valuation Methodology function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification(PV) may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Methodology perform an ongoing review of the market data sources that are used as part of the PV and fair value processes which are formally documented on a semi-annual basis detailing the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

The Valuation and Benchmarks Committee (VBC) is the valuation governance forum consisting of representatives from Bank Market Risk, Product Control, Valuation Methodology and the business, which meets monthly to discuss and approve the independent valuations of the inventory. For Principal Finance, the Investment Committee meeting is held on a quarterly basis to review investments and valuations

Material accounting estimates and judgements

The Bank evaluates the significance of financial instruments and material accuracy of the valuations incorporated in the financial statements as they involve a high degree of judgement and estimation uncertainty in determining the carrying values of financial assets and liabilities at the balance sheet date.

→ Fair value of financial instruments is determined using valuation techniques and estimates (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments

→ When establishing the exit price of a financial instrument using a valuation technique, the Bank estimates valuation adjustments in determining the fair value.

13. Financial instruments continued

- → In determining the valuation of financial instruments, the Bank makes judgements on the amounts reserved to cater for model and valuation risks, which cover both Level 2 and Level 3 assets, and the significant valuation judgements in respect of Level 3 instruments

- → Where the estimated measurement of fair value is more judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs

Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3

- → Financial instruments held at fair value

  - Debt securities – asset-backed securities: Asset-backed securities are valued based on external prices obtained from consensus pricing providers, broker quotes, recent trades, arrangers' quotes, etc. Where an observable price is available for a given security, it is classified as Level 2. In instances where third-party prices are not available or reliable, the security is classified as Level 3. The fair value of Level 3 securities is estimated using market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings

  - Debt securities in issue: These debt securities relate to structured notes issued by the Bank. Where independent market data is available through pricing vendors and broker sources these positions are classified as Level 2. Where such liquid external prices are not available, valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads, and are classified as Level 3. These input parameters are determined with reference to the same issuer (if available) or proxies from comparable issuers or assets

  - Derivatives: Derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying variable. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. In most cases these unobservable correlation parameters cannot be implied from the market, and methods such as historical analysis and comparison with historical levels or other benchmark data must be employed

  - Equity shares - private equity: The majority of private equity unlisted investments are valued based on earning multiples - Price-to-Earnings (P/E) or enterprise value to earnings before income tax, depreciation and amortisation (EV/EBITDA) ratios - of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earning multiples for the comparable listed companies. To ensure comparability between these unquoted investments and the comparable listed companies, appropriate adjustments are also applied (for example, liquidity and size) in the valuation. In circumstances where an investment does not have direct comparables or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternative valuation techniques (for example, discounted cash flow models), which use predominantly unobservable inputs or Level 3 inputs, may be applied. Even though earning multiples for the comparable listed companies can be sourced from third-party sources (for example, Bloomberg), and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where observable inputs are available, for example, Over-the-counter (OTC) prices) are classified as Level 3 on the basis that the valuation methods involve judgements ranging from determining comparable companies to discount rates where the discounted cash flow method is applied

13. Financial instruments continued

- Loans and advances: These primarily include loans in the FM Bond and Loan Syndication business which were not syndicated as of the balance sheet date and other financing transactions within Financial Markets and loans and advances including reverse repurchase agreements that do not have SPPI cash flows or are managed on a fair value basis. These loans are generally bilateral in nature and, where available, their valuation is based on observable clean sales transactions prices or market observable spreads. If observable credit spreads are not available, proxy spreads based on comparable loans with similar credit grade, sector and region, are used. Where observable credit spreads and market standard proxy methods are available, these loans are classified as Level 2. Where there are no recent transactions or comparable loans, these loans are classified as Level 3

- Other debt securities: These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets

→ Financial instruments held at amortised cost

The following sets out the Bank's basis for establishing fair values of amortised cost financial instruments and their classification between Levels 1, 2 and 3. As certain categories of financial instruments are not actively traded, there is a significant level of management judgement involved in calculating the fair values:

- Cash and balances at central banks: The fair value of cash and balances at central banks is their carrying amounts
- Debt securities in issue, subordinated liabilities and other borrowed funds: The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity
- Deposits and borrowings: The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar Credit Risk and remaining maturity
- Investment securities: For investment securities that do not have directly observable market values, the Bank utilises a number of valuation techniques to determine fair value. Where available, securities are valued using input proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or input proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxies as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relates to asset-backed securities. The fair value for such instruments is usually proxies from internal assessments of the underlying cash flows
- Loans and advances to banks and customers: For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar Credit Risk and remaining maturity. The Bank's loans and advances to customers' portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio re-prices within one month, and approximately half re-prices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally, approximates the carrying value. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and Credit Risk. Expected cash flows are discounted at current market rates to determine fair value. The Bank has a wide range of individual instruments within its loans and advances portfolio and as a result providing quantification of the key assumptions used to value such instruments is impractical
- Other assets: Other assets comprise primarily of cash collateral and trades pending settlement. The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are either short-term in nature or re-price to current market rates frequently.

Fair value adjustments

When establishing the exit price of a financial instrument using a valuation technique, the Bank considers adjustments to the modelled price which market participants would make when pricing that instrument. The main valuation adjustments (described further below) in determining fair value for financial assets and financial liabilities are as follows:

- Bid-offer valuation adjustment: Generally, market parameters are marked on a mid-market basis in the revaluation systems, and a bid-offer valuation adjustment is required to quantify the expected cost of neutralising the business' positions through dealing away in the market, thereby bringing long positions to bid and short positions to offer. The methodology to calculate the bid-offer adjustment for a derivative portfolio involves netting between long and short positions and the Banking of risk by strike and tenor based on the hedging strategy where long positions are marked to bid and short positions marked to offer in the systems

- Credit valuation adjustment (CVA): The Bank accounts for CVA against the fair value of derivative products. CVA is an adjustment to the fair value of the transactions to reflect the possibility that our counterparties may default and we may not receive the full market value of the outstanding transactions. It represents an estimate of the adjustment a market participant would include when deriving a purchase price to acquire our exposures. CVA is calculated for each subsidiary, and within each entity for each counterparty to which the entity has exposure and takes account of any collateral we may hold. The Bank calculates the CVA by using estimates of future positive exposure, market-implied probability of default (PD) and recovery rates. Where market-implied data is not readily available, we use market-based proxies to estimate the PD.

- Wrong-way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty, and the Bank has implemented a model to capture this impact for key wrong-way exposures. The Bank also captures the uncertainties associated with wrong-way risk in the Bank's Prudential Valuation Adjustments framework
-
- Debit valuation adjustment (DVA): The Bank calculates DVA adjustments on its derivative liabilities to reflect changes in its own credit standing. The Bank's DVA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. For derivative liabilities, a DVA adjustment is determined by applying the Bank's probability of default to the Bank's negative expected exposure against the counterparty. The Bank's probability of default and loss expected in the event of default is derived based on bond and CDS spreads associated with the Bank's issuances and market standard recovery levels. The expected exposure is modelled based on the simulation of the underlying risk factors over the expected life of the deal. This simulation methodology incorporates the collateral posted by the Bank and the effects of master netting agreements

- Model valuation adjustment: Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model

- Funding valuation adjustment (FVA): The Bank makes FVA adjustments against derivative products. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs or benefits that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions

- Other fair value adjustments: The Bank calculates the fair value on the interest rate callable products by calibrating to a set of market prices with differing maturity, expiry and strike of the trades

- Day one and other deferrals: In certain circumstances the initial fair value is based on a valuation technique which differs to the transaction price at the time of initial recognition. However, these gains can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated. Other deferrals primarily represent adjustments taken to reflect the specific terms and conditions of certain derivative contracts which affect the termination value at the measurement date

Notes to the financial statements continued

13. Financial instruments continued

In addition, the Bank calculates own credit adjustment (OCA) on its issued debt designated at fair value, including structured notes, in order to reflect changes in its own credit standing. Own issued note liabilities are discounted utilising spreads as at the measurement date. These spreads consist of a market level of funding component and an idiosyncratic own credit component. Under IFRS 9 the change in the own credit component (OCA) is reported under other comprehensive income. The Bank's OCA reserve will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Bank's OCA reserve will reverse over time as its liabilities mature. The OCA at 31 December 2023 is a gain of Ushs. 179.4 million (31 December 2022: Ushs. 23.8 million loss).

Fair value hierarchy – financial instruments held at fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Bank recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

→ Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities

→ Level 2: Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable

→ Level 3: Fair value measurements are those where inputs which could have a significant effect on the instrument's valuation are not based on observable market data

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy:

2023

Assets	Level 1 Ushs '000	Level 2 Ushs '000	Level 3 Ushs '000	Total Ushs '000
Financial instruments held at fair value through profit or loss				
Debt securities and other eligible bills	-	226,542,009	-	226,542,009
Of which:				
Issued by Central banks & Governments	-	226,542,009	-	226,542,009
Derivative financial instruments	152,657	8,143,252	-	8,295,909
Foreign exchange	152,657	8,143,252	-	8,295,909
Investment securities				
Debt securities and other eligible bills	-	902,988,998	-	902,988,998
Issued by Central banks & Governments	-	902,988,998	-	902,988,998
Total financial instruments	152,657	1,137,674,259	-	1,137,826,916
Liabilities				
Financial instruments held at fair value through profit or loss				
Customer accounts	-	-	77,732,404	77,732,404
Derivative financial instruments	93,812	4,926,305	1,218,876	6,238,993
Of which:				
Foreign exchange	93,812	4,700,211	1,218,876	6,012,899
Interest rate	-	226,094	-	226,094
Total financial instruments	93,812	4,926,305	78,951,280	83,971,397

Notes to the financial statements continued

13. Financial instruments continued

2022

Assets	Level 1 Ushs '000	Level 2 Ushs '000	Level 3 Ushs '000	Total Ushs '000
Financial instruments held at fair value through profit or loss				
Debt securities and other eligible bills	-	157,294,669	-	157,294,669
Of which:				
Issued by Central Banks & Governments[1]	-	157,294,669	-	157,294,669
Equity shares	-	-	-	-
Derivative financial instruments	147,658	8,205,058	3,536,751	11,889,467
Foreign exchange	147,658	8,205,058	3,536,751	11,889,467
Investment securities				
Debt securities and other eligible bills	-	1,002,955,370	-	1,002,955,370
Issued by Central Banks & Governments[1]	-	1,002,955,370	-	1,002,955,370
Total financial instruments	147,658	1,168,455,097	3,536,751	1,172,139,506

Liabilities	Level 1 Ushs '000	Level 2 Ushs '000	Level 3 Ushs '000	Total Ushs '000
Financial instruments held at fair value through profit or loss				
Customer accounts	-	-	109,514,904	109,514,904
Derivative financial instruments	184,128	13,232,323	-	13,416,451
Of which:				
Foreign exchange	184,128	12,464,167	-	12,648,295
Interest rate	-	768,156	-	768,156
Total financial instruments	184,128	13,232,323	109,514,904	122,931,355

13. Financial instruments continued

Fair value hierarchy - financial instruments measured at amortised cost

The following table shows the carrying amounts and incorporates the Bank's estimate of fair values of those financial assets and liabilities not presented on the Bank's balance sheet at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

		Fair value			
	Carrying value Ushs '000	Level 1 Ushs '000	Level 2 Ushs '000	Level 3 Ushs '000	Total Ushs '000
Assets					
Loans and advances to customers	**1,129,961,900**	**-**	**-**	**1,360,653,956**	**1,360,653,956**
Total	**1,129,961,900**	**-**	**-**	**1,360,653,956**	**1,360,653,956**
Liabilities					
Customer accounts	**2,544,429,898**	**-**	**2,578,274,205**	**-**	**2,578,274,205**
Total	**2,544,429,898**	**-**	**2,578,274,205**	**-**	**2,578,274,205**

		Fair value			
	Carrying value Ushs '000	Level 1 Ushs '000	Level 2 Ushs '000	Level 3 Ushs '000	Total Ushs '000
Assets					
Loans and advances to customers	1,222,126,308	-	-	1,395,190,413	1,395,190,413
Total	1,222,126,308	-	-	1,395,190,413	1,395,190,413
Liabilities					
Customer accounts	2,518,840,748	-	2,580,820,407	-	2,580,820,407
Total	2,518,840,748	-	2,580,820,407	-	2,580,820,407

Notes to the financial statements continued

13. Financial instruments continued

Loans and advances to customers by client segment

	2023					
	Carrying value			Fair value		
	Stage 3 Ushs '000	Stage 1 and stage 2 Ushs '000	Total Ushs '000	Stage 3 Ushs '000	Stage 1 and stage 2 Ushs '000	Total Ushs '000
Corporate, Commercial & Institutional Banking	30,534,986	713,407,041	743,942,027	36,768,982	859,055,613	895,824,595
Consumer, Private & Business Banking	4,648,849	381,371,024	386,019,873	5,597,954	459,231,407	464,829,361
At 31 December 2023	35,183,835	1,094,778,065	1,129,961,900	42,366,936	1,318,287,020	1,360,653,956

	2022					
	Carrying value			Fair value		
	Stage 3 Ushs '000	Stage 1 and stage 2 Ushs '000	Total Ushs '000	Stage 3 Ushs '000	Stage 1 and stage 2 Ushs '000	Total Ushs '000
Corporate, Commercial & Institutional Banking	37,873,333	799,609,854	837,483,187	43,236,539	912,841,819	956,078,358
Consumer, Private & Business Banking[2]	1,086,097	383,557,024	384,643,121	1,239,897	437,872,158	439,112,055
At 31 December 2022	38,959,430	1,183,166,878	1,222,126,308	44,476,436	1,350,713,977	1,395,190,413

13. Financial instruments continued

Analysis of financial instrument by stage

The tables below show the analysis of financial instruments by stage, along with the credit impairment loss provisions against each class of financial instrument

	2023											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Cash and balances at central banks	370,788,638	-	370,788,638	-	-	-	-	-	-	370,788,638	-	370,788,638
Loans and advances to banks (amortised cost)	1,245,366	(350)	1,245,016	-	-	-	-	-	-	1,245,366	(350)	1,245,016
Loans and advances to customers (amortised cost)	1,033,482,450	(4,745,681)	1,028,736,769	66,369,120	(327,825)	66,041,295	104,359,242	(69,175,406)	35,183,836	1,204,210,812	(74,248,912)	1,129,961,900
Debt securities and other eligible bills	902,988,998	(457,847)	902,988,998	-	-		-	-		902,988,998	(457,847)	902,988,998
FVOCI	902,988,998	(457,847)	902,988,998	-	-		-	-		902,988,998	(457,847)	902,988,998
Amounts due from group and other related parties	887,578,649	(133,768)	887,444,881	-	-	-	-	-	-	887,578,649	(133,768)	887,444,881
Other assets	92,613,765	-	92,613,765	-	-	-	-	-	-	92,613,765	-	92,613,765
Undrawn commitments	435,980,741	(291,732)	435,689,009	16,943,089	(12,867)	16,930,222	-	-		452,923,830	(304,599)	452,619,231
Financial guarantees, trade credits and irrevocable letter of credits	636,045,278	(157,445)	635,887,833	64,897,323	(1,870)	64,895,453	-	-		700,942,601	(159,315)	700,783,286
Total	4,360,723,885	(5,786,823)	4,355,394,909	148,209,53	(342,562)	147,866,970	104,359,242	(69,175,406)	35,183,836	4,613,292,659	(75,304,791)	4,538,445,715

13. Financial instruments continued

	2022											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Cash and balances at central banks	343,675,907	-	343,675,907	-	-	-	-	-	-	343,675,907	-	343,675,907
Loans and advances to banks (amortised cost)	16,605,665	(2,707)	16,602,958	-	-	-	-	-	-	16,605,665	(2,707)	16,602,958
Loans and advances to customers (amortised cost)	1,102,346,409	(5,565,007)	1,096,781,402	86,725,810	(340,331)	86,385,479	114,252,953	(75,293,526)	38,959,427	1,303,325,172	(81,198,864)	1,222,126,308
Debt securities and other eligible bills	1,002,955,370	(4,701,205)	1,002,955,370	-	-		-	-		1,002,955,370	(4,701,205)	1,002,955,370
FVOCI	1,002,955,370	(4,701,205)	1,002,955,370	-	-		-	-		1,002,955,370	(4,701,205)	1,002,955,370
Amounts due from group and other related parties	893,803,411	(84,996)	893,718,415	-	-	-	-	-	-	893,803,411	(84,996)	893,718,415
Other assets	119,440,673	-	119,440,673	-	-	-	-	-	-	119,440,673	-	119,440,673
Undrawn commitments	440,427,062	(419,270)	440,007,792	18,893,071	(19,568)	18,873,503	-	-	-	459,320,133	(438,838)	458,881,295
Financial guarantees, trade credits and irrevocable letter of credits	486,934,321	(133,036)	486,801,285	19,216,534	(34,060)	19,182,475	-	-	-	506,150,855	(167,095)	505,983,760
Total	4,406,188,817	(10,906,220)	4,399,983,802	124,835,416	(393,959)	124,441,457	114,252,953	(75,293,526)	38,959,427	4,645,277,186	(86,593,705)	4,563,384,686

The above tables also represent the Banks's maximum exposure to credit risk before collateral held. The gross balance shows the worst-case scenario of the Bank's credit risk exposure as at 31 December 2023 and 2022, without taking account of collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.

13. Financial instruments continued

Movement in gross exposures and credit impairment for loans and advances, debt securities, amounts due from group and other related parties, undrawn commitments and financial guarantees

The table overleaf sets out the movement in gross exposures and credit impairment by stage in respect of amortised cost loans to banks and customers, undrawn commitments, financial guarantees and debt securities classified at amortised cost and FVOCI.

Methodology

The movement lines within the tables are an aggregation of monthly movements over the year and will therefore reflect the accumulation of multiple trades during the year. The credit impairment charge in the income statement comprises the amounts within the boxes in the table below less recoveries of amounts previously written off. Discount unwind is reported in net interest income and related to stage 3 financial instruments only.

The approach for determining the key line items in the tables is set out below.

→ Transfers - transfers between stages are deemed to occur at the beginning of a month based on prior month closing balances

→ Net remeasurement from stage changes - the remeasurement of credit impairment provisions arising from a change in stage is reported within the stage that the assets are transferred to. For example, assets transferred into stage 2 are remeasured from a 12 month to a lifetime expected credit loss, with the effect of remeasurement reported in stage 2. For stage 3, this represents the initial remeasurement from specific provisions recognised on individual assets transferred into stage 3 in the year

→ Net changes in exposures - new business written less repayments in the year. Within stage 1, new business written will attract up to 12 months of expected credit loss charges. Repayments of non-amortising loans (primarily within Corporate & Institutional Banking and Commercial Banking) will have low amounts of expected credit loss provisions attributed to them, due to the release of provisions over the term to maturity. In stages 2 and 3, the amounts principally reflect repayments although stage 2 may include new business written where clients are on non-purely precautionary early alert, are credit grade 12, or when non-investment grade debt securities are acquired.

→ Changes in risk parameters - for stages 1 and 2, this reflects changes in the probability of default (PD), loss given default (LGD) and exposure at default (EAD) of assets during the year, which includes the impact of releasing provisions over the term to maturity. It also includes the effect of changes in forecasts of macroeconomic variables during the year. In stage 3, this line represents additional specific provisions recognised on exposures held within stage 3

Interest due but not paid – change in contractual amount of interest due in stage 3 financial instruments but not paid, being the net of accruals, repayments and write-offs, together with the corresponding change in credit impairment

Changes to ECL models, which incorporates changes to model approaches and methodologies, is not reported as a separate line item as it has an impact over a number of lines and stages.

Amortised cost and FVOCI	Stage 1 Gross balance Ushs '000	Stage 1 Total credit impairment Ushs '000	Stage 1 Net Ushs '000	Stage 2 Gross balance Ushs '000	Stage 2 Total credit impairment Ushs '000	Stage 2 Net Ushs '000	Stage 3 Gross balance Ushs '000	Stage 3 Total credit impairment Ushs '000	Stage 3 Net Ushs '000	Total Gross balance Ushs '000	Total Total credit impairment Ushs '000	Total Net Ushs '000
As at 1 January 2022	3,182,584,735	(16,977,442)	3,165,607,293	143,000,754	(511,019)	142,489,735	166,118,010	(28,485,438)	137,632,572	3,491,703,499	(45,973,899)	3,445,729,600
Transfers to stage 1	93,379,354	(1,802,612)	91,576,742	(93,379,354)	1,802,612	(91,576,742)	-	-	-	-	-	-
Transfers to stage 2	(297,699,066)	24,147,572	(273,551,494)	297,699,066	(24,147,572	273,551,494	-	-	-	-	-	-
Transfers to stage 3	-	-	-	(3,157,402)	330,561	(2,826,841)	3,157,402	(330,561)	2,826,841	-	-	-
Net change in exposures	964,807,212	(16,475,138)	948,332,074	(219,327,648)	173,506	(219,154,142)	(3,830,582)	(75,666,541)	(79,497,123)	741,648,982	(91,968,173)	649,680,809
Net remeasurement from stage changes	-	201,400	201,400	-	638,108	638,108	-	-	-	-	839,508	839,508
Changes in risk parameters	-	-	-	-	(375,318)	(375,318)	-	-	-	-	(375,318)	(375,318)
Interest due but unpaid	-	-	-	-	21,695,163	21,695,163	(51,191,877)	29,189,014	(22,002,863)	(51,191,877)	50,884,177	(307,700)
As at 31 December	3,943,072,235	(10,906,220)	3,932,166,015	124,835,416	(393,959)	124,441,457	114,252,953	(75,293,526)	38,959,427	4,182,160,604	(86,593,705)	4,095,566,899
Total credit impairment (charge)/release		(16,273,738)			436,296			(75,666,541)			(91,503,983)	
As at 1 January 2023	**3,943,072,23**	**(10,906,220**	**3,932,166,015**	**124,835,416**	**(393,959)**	**124,441,457**	**114,252,953**	**(75,293,526)**	**38,959,427**	**4,182,160,604**	**(86,593,705)**	**4,095,566,899**
Transfers to stage 1	**142,338,647**	**(449,404)**	**141,889,243**	**(142,338,647**	**449,404**	**(141,889,243)**	-	-	-	-	-	-
Transfers to stage 2	**(325,237,860**	**7,323,515**	**(317,914,345)**	**325,237,860**	**(7,323,515)**	**317,914,345**	-	-	-	-	-	-
Transfers to stage 3	-	-	-	**(9,105,329)**	**7,808,087**	**(1,297,242)**	**9,105,329**	**(7,808,087)**	**1,297,242**	-	-	-
Net change in exposures	**137,148,460**	**(8,718,521)**	**128,429,939**	**(150,419,768)**	**46,912**	**(150,372,856)**	**34,364,958**	**(29,930,971)**	**4,433,987**	**21,093,650**	**(38,602,580)**	**(17,508,930)**
Net remeasurement from stage changes	-	**150,021**	**150,021**	-	**(929,491)**	**(929,491)**	-	-	-	-	**(779,470)**	**(779,470)**
Changes in risk parameters	-	**6,813,786**	**6,813,786**	-	-	-	-	-	-	-	**6,813,786**	**6,813,786**
Write-offs	-	-	-	-	-	-	**(64,300,759)**	**54,793,939**	**(9,506,820)**	**(64,300,759)**	**54,793,939**	**(9,506,820)**
Interest due but unpaid	-	-	-	-	-	-	**10,936,761**	**(10,936,761)**	-	**10,936,761**	**(10,936,761)**	-
As at 31 December 2023	**3,897,321,482**	**(5,786,823)**	**3,891,534,659**	**148,209,532**	**(342,562)**	**147,866,970**	**104,359,242**	**(69,175,406)**	**35,183,836**	**4,149,890,256**	**(75,304,791)**	**4,074,585,465**
Total credit impairment (charge)/release		**(1,754,714)**			**(882,579)**			**(29,930,971)**			**(32,568,264)**	

14. Derivative financial instruments

Accounting policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivatives are initially recognised and subsequently measured at fair value, with revaluation gains recognised in profit or loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Hedge accounting

Under certain conditions, the Bank may designate a recognised asset or liability, a firm commitment, highly probable forecast transaction or net investment of a foreign operation into a formal hedge accounting relationship with a derivative that has been entered to manage interest rate and/or foreign exchange risks present in the hedged item. The Bank applies the 'Phase 1' hedge accounting requirements of IAS 39 Financial Instruments: Recognition and Measurement and the 'Phase 2' amendments to IFRS in respect of interest rate benchmark reform.

There are three categories of hedge relationships:

- → Fair value hedge: to manage the fair value of interest rate and/or foreign currency risks of recognised assets or liabilities or firm commitments
- → Cash flow hedge: to manage interest rate or foreign exchange risk of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction
- → Net investment hedge: to manage the structural foreign exchange risk of an investment in a foreign operation

The Bank formally documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. This is described in more detail in the categories of hedges below.

The Bank assesses, both at hedge inception and on a quarterly basis, whether the derivatives designated in hedge relationships are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedges are considered to be highly effective if all the following criteria are met:

- → At inception of the hedge and throughout its life, the hedge is prospectively expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk
- → Actual results of the hedge are within a range of 80–125%. This is tested using regression analysis
- → The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 80%
- → In the case of the hedge of a forecast transaction, the transaction must have a high probability of occurring and must present an exposure to variations in cash flows that are expected to affect reported profit or loss. The Bank assumes that any interest rate benchmarks on which hedged item cash flows are based are not altered by IBOR reform

The Bank discontinues hedge accounting in any of the following circumstances:

- → The hedging instrument is not, or has ceased to be, highly effective as a hedge
- → The hedging instrument has expired, is sold, terminated, or exercised
- → The hedged item matures, is sold, or repaid
- → The forecast transaction is no longer deemed highly probable
- → The Bank elects to discontinue hedge accounting voluntarily

For interest rate benchmarks deemed in scope of IBOR reform, if the actual result of a hedge is outside the 80-125% range, but the hedge passes the prospective assessment, then the Bank will not de-designate the hedge relationship.

Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9 and IAS 39, the Bank may change hedge designations and corresponding documentation without the hedge being discontinued where there is a change in interest rate benchmark of the hedged item, hedging instrument or designated hedged risk. Permitted changes include the right to:

- → Redefine the description of the hedged item and/or hedging instrument
- → Redefine the hedged risk to reference an alternative risk-free rate
- → Change the method for assessing hedge effectiveness due to modifications required by IBOR reform
- → Elect, on a hedge-by-hedge basis, to reset the cumulative fair value changes in the assessment of retrospective hedge effectiveness to zero
- → A hedge designation may be modified more than once, each time a relationship is affected as a direct result of IBOR reform.

14. Derivative financial instruments continued

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in net trading income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the remaining term to maturity of the hedged item. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement. For financial assets classified as fair value through other comprehensive income, the hedge accounting adjustment attributable to the hedged risk is included in net trading income to match the hedging derivative.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments are initially recognised in other comprehensive income, accumulating in the cash flow hedge reserve within equity. These amounts are subsequently recycled to the income statement in the periods when the hedged item affects profit or loss. Both the derivative fair value movement and any recycled amount are recorded in the 'Cashflow hedges' line item in other comprehensive income.

The Bank assesses hedge effectiveness using the hypothetical derivative method, which creates a derivative instrument to serve as a proxy for the hedged transaction. The terms of the hypothetical derivative match the critical terms of the hedged item and it has a fair value of zero at inception. The hypothetical derivative and the actual derivative are regressed to establish the statistical significance of the hedge relationship. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the net trading income immediately.
If a cash flow hedge is discontinued, the amount accumulated in the cash flow hedge reserve is released to the income statement as and when the hedged item affects the income statement.
For interest rate benchmarks deemed in scope of IBOR reform, the Bank will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges even though there is uncertainty arising from these reforms with respect to the timing and amount of the cash flows of the hedged items. Should the Bank consider the hedged future cash flows are no longer expected to occur due to reasons other than IBOR reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

Net investment hedge

Hedges of net investments are accounted for in a similar manner to cash flow hedges, with gains and losses arising on the effective portion of the hedges recorded in the line 'Exchange differences on translation of foreign operations' in other comprehensive income, accumulating in the translation reserve within equity. These amounts remain in equity until the net investment is disposed of. The ineffective portion of the hedges is recognised in the net trading income immediately.
The tables below analyse the notional principal amounts and the positive and negative fair values of derivative financial instruments. Notional principal amounts are the amounts of principal underlying the contract at the reporting date.

Derivatives

	2023			2022		
	Notional principal amounts	Assets	Liabilities	Notional principal amounts	Assets	Liabilities
Derivatives	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	**488,494,97**	**1,266,653**	**4,542,948**	522,107,463	6,693,247	10,434,747
Currency swaps and options	**170,241,244**	**7,029,256**	**1,696,045**	230,035,214	5,196,220	2,981,704
	658,736,218	**8,295,909**	**6,238,993**	752,142,677	11,889,467	13,416,451
Total derivatives	**658,736,218**	**8,295,909**	**6,238,993**	752,142,677	11,889,467	13,416,451

15. Loans and advances to banks and customers

Accounting policy

Refer to Note 13 Financial instruments for the relevant accounting policy.

	2023 Ushs '000	2022 Ushs '000
Loans and advances to banks	1,245,366	16,605,665
Expected credit loss	(350)	(2,707)
	1,245,016	16,602,958
Loans and advances to customers	1,204,210,812	1,303,325,172
Expected credit loss	(74,248,912)	(81,198,864)
	1,129,961,900	1,222,126,308
Total loans and advances to banks and customers	1,131,206,916	1,238,729,266

16. Reverse repurchase and repurchase agreements including other similar lending and borrowing

Accounting policy

The Bank purchases securities (a reverse repurchase agreement – 'reverse repo') typically with financial institutions subject to a commitment to resell or return the securities at a predetermined price. These securities are not included in the balance sheet as the Bank does not acquire the risks and rewards of ownership, however they are recorded off-balance sheet as collateral received. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost unless it is managed on a fair value basis or designated at fair value through profit or loss. In majority of cases through the contractual terms of a reverse repo arrangement, the Bank as the transferee of the security collateral has the right to sell or repledge the asset concerned.

The Bank also sells securities (a repurchase agreement – 'repo') subject to a commitment to repurchase or redeem the securities at a predetermined price. The securities are retained on the balance sheet as the Bank retains substantially all the risks and rewards of ownership and these securities are disclosed as pledged collateral. Consideration received (or cash collateral received) is accounted for as a financial liability at amortised cost unless it is either mandatorily classified as fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing and securitisation transactions under terms that are usual and customary for such activities. The Bank is obliged to return equivalent securities. Repo and reverse repo transactions typically entitle the Bank and its counterparties to have recourse to assets similar to those provided as collateral in the event of a default.

Reverse repurchase agreements and other similar secured lending

There were no reverse repurchase agreements and other similar secured lending held as at December 2023 (2022: Nil).

16. Reverse repurchase and repurchase agreements including other similar lending and borrowing continued

Under reverse repurchase and securities borrowing arrangements, the Bank obtains securities on terms which permit it to repledge or resell the securities to others. Amounts on such terms are:

Repurchase agreements and other similar secured borrowing

	2023 Ushs '000	2022 Ushs '000
Banks	-	20,000,034
	-	20,000,034
Of which:		
Held at amortised cost	-	20,000,034
Banks	-	20,000,034

The tables below set out the financial assets provided as collateral for repurchase and other secured borrowing transactions:

	2023				
Collateral pledged against repurchase agreements	Fair value through profit or loss Ushs '000	Fair value through Other Comprehensive Income Ushs '000	Amortised cost Ushs '000	Off-balance sheet Ushs '000	Total Ushs '000
On-balance sheet					
Debt securities and other eligible bills	-	5,000,000	-	-	5,000,000
At 31 December 2023	-	5,000,000	-	-	5,000,000

	2022				
Collateral pledged against repurchase agreements	Fair value through profit or loss Ushs '000	Fair value through Other Comprehensive Income Ushs '000	Amortised cost Ushs '000	Off-balance sheet Ushs '000	Total Ushs '000
On-balance sheet					
Debt securities and other eligible bills	-	5,579,700	-	-	5,579,700
At 31 December 2022	-	5,579,700	-	-	5,579,700

17. Goodwill and intangible assets

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition.

Standard Chartered Bank PLC acquired the Barclays Bank's Custody business across Africa in 2010. This transaction was structured as the acquisition of a business by each local subsidiary rather than the acquisition of a subsidiary. Therefore, all intangible assets and/or goodwill were recorded in the local subsidiary. In addition, the acquisition price was split between an amount paid locally (the local consideration Ushs 4,575 million) and an amount paid by Standard Chartered Bank PLC (the Group consideration Ushs 2,128 million) which largely related to the split between the local clients and international clients acquired.

The total consideration has been analysed between the acquired intangible and goodwill. Because Standard Chartered Bank PLC was deemed to have paid on behalf of the subsidiaries in relation to the cost of acquiring the international customers (the revenue of which would accrue locally), most or all of the Standard Chartered Bank PLC payment was 'pushed down' to the local subsidiary as a deemed capital contribution. As this contribution represented the value of customer relationships, this would also form part of the intangible assets locally (push intangible). The intangible asset was amortised over a period of 4 years which is the estimated average life of acquired customers.

Income derived from custody business for the year is Ushs 10,202 million (2022: Ushs 10,852 million).

Significant accounting estimates and judgements

The carrying amount of goodwill is based on the application of judgements including the basis of goodwill impairment calculation assumptions. Judgement is also applied in determination of cash generating units.

Estimates include forecasts used for determining cash flows for CGUs, the appropriate long-term growth rates to use and discount rates which factor in country risk-free rates and applicable risk premiums. The Bank undertakes an annual assessment to evaluate whether the carrying value of goodwill is impaired. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement and is subject to potential change over time.

Acquired intangibles

At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity and are amortised on the basis of their expected useful lives (4 to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software

Acquired computer software licences are capitalised if the principles of development are met on the basis of the costs incurred to acquire and bring to use the specific software.

Internally generated software represents substantially all of the total software capitalised. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the asset will flow from its use (internally generated software). These costs include salaries and wages, materials, service providers and contractors, and directly attributable overheads. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over each asset's useful life to a maximum of a 10 year time period. On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence of asset, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

For capitalised software, judgement is required to determine which costs relate to research (and therefore expensed) and which costs relate to development (capitalised). Further judgement is required to determine the technical feasibility of completing the software such that it will be available for use. Estimates are used to determine how the software will generate probable future economic benefits, these estimates include; cost savings, income increases, balance sheet improvements, improved functionality or improved asset safeguarding.

Notes to the financial statements continued

17. Goodwill and intangible assets continued

	2023				2022			
	Goodwill	Acquired intangibles	Computer software	Total	Goodwill	Acquired intangibles	Computer software	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Cost								
At 1 January	1,489,87	5,213,100	28,780,313	35,483,286	1,489,873	5,213,100	23,146,617	29,849,59
Additions	-	-	3,550,892	3,550,892	-	-	5,633,696	5,633,696
At 31 December	1,489,87	5,213,100	32,331,205	39,034,178	1,489,873	5,213,100	28,780,313	35,483,286
Provision for amortisation								
At 1 January	-	5,213,100	15,654,604	20,867,70	-	5,213,100	11,377,633	16,590,733
Amortisation	-	-	3,145,189	3,145,189	-	-	4,266,430	4,266,430
Impairment charge	-	-	5,992	5,992	-	-	10,541	10,541
At 31 December	-	5,213,100	18,805,785	24,018,885	-	5,213,100	15,654,60	20,867,70
Net book value	1,489,87	-	13,525,420	15,015,293	1,489,873	-	13,125,709	14,615,582

As at 31 December 2023, the intangible asset was Ushs 13,525 million (2022: Ushs 13,125 million), owing to software capitalised during the year and the initial investment in custody business (value of customer listing acquired) which is fully amortised but maintained on the statement of financial position.

Software amortisation change in estimate

During the year, the Bank has reassessed the useful economic life for software assets to reflect the period over which the assets are expected to be available for use by the Bank. As a result of this change in estimate, the Bank has recorded a decrease in software amortisation of approximately for the year when compared to the previous estimate.

Goodwill

Outcome of impairment assessment

Goodwill and Intangible assets are reviewed annually for impairment or more frequently when there are indications that impairment may have occurred. Impairment on goodwill and intangible assets identified was Ushs 5.99 million (2022: Ushs 10.5 million).

Goodwill on acquisition of Barclays Custody business has been allocated to an individual cash generating unit, which is also a reportable segment i.e., Corporate, Commercial & Institutional banking business segment

Testing of goodwill for impairment

The recoverable amounts of Corporate, Commercial & Institutional banking business segment have been determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by senior management covering a five-year period.
Projected growth rates used are in line with, and do not exceed, the projected growth rates in GDP and inflation rate forecasts for Uganda. The calculation of value in use for custody business in Corporate, Commercial & Institutional Banking business segment is most sensitive to interest margin, discount rates, loan impairment charge as percentage of customer advances, market share during the budget period, and the projected growth rates used to extrapolate cash flows beyond the budget period, which is also impacted by current local gross domestic product (GDP) and local inflation rates.

The following rates are used by the Bank.

	2023	2022
	%	%
Discount rate	15.8	16.0
Projected growth rate	5.6	4.5

18. Property, plant and equipment

Accounting policy

All property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

At each balance sheet date the assets' residual values and useful lives are reviewed, and adjusted if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Land and buildings comprise mainly branches and offices. Freehold land is not depreciated although it is subject to impairment testing.

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 generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the bank will obtain ownership by the end of the lease term. Land is not depreciated.

The annual rates used to depreciate significant items of property and equipment over their estimated useful lives are as follows;

→ Buildings and leasehold improvements	→ up to 50 years
→ Furniture and equipment	→ 3 to 10 years
→ Computers	→ 3 to 6 years
→ Motor vehicles	→ up to 3 years

Where the Bank is a lessee of a right-of-use asset, the leased assets are capitalised and included in Property, plant and equipment with a corresponding liability to the lessor recognised in Other liabilities, in accordance with the Bank's leased assets accounting policy in Note 19

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

	2023				
	Premises	Equipment	Leased premises assets	Leased equipment assets	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Cost or valuation					
At 1 January	18,063,550	20,703,772	6,377,571	820,601	45,965,494
Additions	1,504,693	3,593,364	1,728,556	13,235	6,839,848
Disposals and fully depreciated assets written off	-	(703,956)	(95,200)	-	(799,156)
As at 31 December	19,568,243	23,593,180	8,010,927	833,836	52,006,186
Depreciation					
Accumulated at 1 January	14,654,099	17,120,897	2,440,504	526,197	34,741,697
Charge for the year	211,885	2,112,568	1,285,496	213,586	3,823,535
Attributable to assets sold, transferred or written off	-	(383,246)	(95,200)	-	(478,446)
Remeasurements	-	-	22,934	-	22,934
Accumulated at 31 December	14,865,984	18,850,219	3,653,734	739,783	38,109,720
Net book amount at 31 December	4,702,259	4,742,961	4,357,193	94,053	13,896,466

18. Property, plant and equipment continued

	2022				
	Premises	Equipment	Leased premises assets	Leased equipment assets	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Cost or valuation					
At 1 January	17,914,375	22,739,494	7,346,931	990,722	48,991,522
Additions	149,175	1,905,097	89,132	-	2,143,404
Disposals and fully depreciated assets written off	-	(3,940,819)	(580,080)	(170,121)	(4,691,020)
Remeasurements	-	-	(478,412)	-	(478,412)
As at 31 December	**18,063,550**	**20,703,772**	**6,377,571**	**820,601**	**45,965,494**
Depreciation					
Accumulated at 1 January	14,257,180	18,708,295	3,315,668	513,138	36,794,281
Charge for the year	396,919	2,353,423	1,119,405	203,588	4,073,335
Attributable to assets sold, transferred or written	-	(3,940,821)	(580,080)	(170,121)	(4,691,022)
Remeasurements	-	-	(1,414,489)	(20,408)	(1,434,897)
Accumulated at 31 December	**14,654,099**	**17,120,897**	**2,440,504**	**526,197**	**34,741,697**
Net book amount at 31 December	**3,409,451**	**3,582,875**	**3,937,067**	**294,404**	**11,223,797**

Operating lease assets

The operating lease assets subsection of property, plant and equipment arise whether a contract is a lease, is based on whether the contract gives the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value.

Bank as a lessee

Where the Bank is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable in the economic environment of the lease. The liability is recognised in 'Other liabilities'. A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognised in 'Property, plant and equipment'. The lease term includes any extension options contained in the contract that the Bank is reasonably certain it will exercise.

The Bank subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation of the asset is recognised in 'Depreciation and amortisation', and interest on the lease liability is recognised in 'Interest expense'.

19. Leased assets

Accounting policy

The Bank assesses whether a contract is a lease in scope of this policy by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value.

Where the Bank is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable in the economic environment of the lease. The liability is recognised in 'Other liabilities'. A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognised in 'Property, plant and equipment'. The lease term includes any extension options contained in the contract that the Bank is reasonably certain it will exercise.

The Bank subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation on the asset is recognised in 'Depreciation and amortisation', and interest on the lease liability is recognised in 'Interest expense'.

If a leased premise, or a physically distinct portion of a premise such as an individual floor, is deemed by management to be surplus to the Bank's needs and action has been taken to abandon the space before the lease expires, this is considered an indicator of impairment. An impairment loss is recognised if the right-of-use asset, or portion thereof, has a carrying value in excess of its value-in-use when taking into account factors such as the ability and likelihood of obtaining a subtenant.

The judgements in determining lease balances are the determination of whether the Bank is reasonably certain that it will exercise extension options present in lease contracts. On initial recognition, the Bank considers a range of characteristics such as premises function, regional trends and the term remaining on the lease to determine whether it is reasonably certain that a contractual right to extend a lease will be exercised. Where a change in assumption is confirmed by the local property management team, a remeasurement is performed in the Bank-managed vendor system.

The estimates were the determination of incremental borrowing rates in the respective economic environments. The Bank uses third-party broker quotes to estimate its USD cost of senior unsecured borrowing, then uses cross currency swap pricing information to determine the equivalent cost of borrowing in other currencies. If it is not possible to estimate an incremental borrowing rate through this process, other proxies such as local government bond yields are used.

The Bank primarily enters lease contracts that grant it the right to use premises such as office buildings and retail branches.

Existing lease liabilities may change in future periods due to changes in assumptions or decisions to exercise lease renewal or termination options, changes in payments due to renegotiations of market rental rates as permitted by those contracts and changes to payments due to rent being contractually linked to an inflation index. In general the re-measurement of a lease liability under these circumstances leads to an equal change to the right-of-use asset balance, with no immediate effect on the income statement.

The total expense during the year in respect of leases with a term less than or equal to 12 months was less than nil (2022: Nil).

The right-of-use asset balances and depreciation charges are disclosed in Note 18. The lease liability balances are disclosed in Note 18 and the interest expense on lease liabilities is disclosed in Note 3.

19. Leased assets continued

The movements in the lease liability were as follows:

Lease liabilities	2023 Ushs '000	2022 Ushs '000
At 1 January	**2,823,079**	3,099,624
Additions	**1,718,857**	89,132
Remeasurements	**-**	251,322
Accretion of interest	**341,841**	382,289
Payment of interest portion of lease liability	**(341,841)**	(42,454)
Payments of principal component	**(1,375,195)**	(956,834)
At 31 December	**3,166,741**	2,823,079

The following are the amounts recognised in the profit or loss.

	2023 Ushs '000	2022 Ushs '000
Depreciation expense of right-of-use assets	**1,499,082**	1,322,993
Interest expense on lease liabilities	**341,841**	382,289
Total amount recognised in profit or loss	**1,840,923**	1,705,282

Maturity analysis

The maturity profile for lease liabilities associated with leased premises and equipment assets based on undiscounted cashflows is as follows:

	2023				
	One year or less Ushs '000	Between one year and two years Ushs '000	Between two years and five years Ushs '000	More than five years Ushs '000	Total Ushs '000
Other liabilities – lease liabilities	**251,629**	**995,633**	**3,184,307**	**-**	**4,431,569**

	2022				
	One year or less Ushs '000	Between one year and two years Ushs '000	Between two years and five years Ushs '000	More than five years Ushs '000	Total Ushs '000
Other liabilities – lease liabilities	1,466,496	406,363	1,645,981	-	3,518,840

20. Other assets

Accounting policy

Refer to Note 13 Financial instruments for the relevant accounting policy.
The other assets were classified as high grade, under stage 1 as at 31 December 2023 and 2022. There were no transfers between stages for both years. The financial assets were assessed for expected credit losses and management recorded nil impairment for the year (2022: Nil)

Other assets include:	2023 Ushs '000	2022 Ushs '000
Financial assets held at amortised cost (Note 13):		
Un-cleared cheques in course of collection	**5,794,294**	6,069,761
Sundry accounts recievable	**7,461,247**	9,891,973
Other recievables	**9,875,876**	10,881,818
Acceptances and endorsements[1]	**66,701,985**	81,392,059
Unsettled trades and other financial assets	**-**	1,068,380
	89,833,402	109,303,991
Non-financial assets:		
Prepayments	**1,268,286**	8,624,605
Receivable from URA	**1,512,077**	1,512,077
	92,613,765	119,440,673

1 The Bank recognises an asset and liability when it confirms a letter of credit it has issued, which creates legal rights and obligations for the Bank. In the current year the Bank has derecognised these assets and liabilities when the Bank provides upfront financing to the beneficiary of the same letter of credit. The impact of this as at 31 December 2023 is a decrease of Ushs. 14,690 million (2022: increase of Ushs. 12,534 million) as recorded in "Other assets" and "Other Liabilities"

Notes to the financial statements continued

21. Other liabilities

Accounting policy

Refer to Note 13 Financial instruments for the relevant accounting policy for financial liabilities, Note 19 Leased assets for the accounting policy for leases, and Note 31 Share-based payments for the accounting policy for cash-settled share-based payments.

	2023 Ushs '000	2022 Ushs '000
Financial liabilities held at amortised cost (Note 13)		
Acceptances and endorsements	**66,701,985**	81,392,059
Bills payable	**122,412**	94,577
Tax collected on behalf of Uganda Revenue Authority	**110,281,588**	105,435,255
Accrual for staff deferred costs	**10,709,803**	10,894,477
Unutilised cover for drafts	**8,706,930**	8,578,720
Outward cheque clearing	**1,108,590**	9,778,404
Property leases	**3,042,451**	2,466,818
Equipment leases	**124,290**	356,261
Unsettled trades and other financial liabilities	**26,894,248**	26,226,543
	227,692,297	245,223,114
Non-financial liabilities		
Unamortised fees and commission	**3,753,996**	4,006,588
Contingent Provisions- ECL	**463,913**	605,934
Other liabilities	**-**	842,848
	231,910,206	250,678,484

22. Provisions for liabilities and charges

Accounting policy

The Bank recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Where a liability arises based on participation in a market at a specified date, the obligation is recognised in the financial statements on that date and is not accrued over the period.

Significant accounting estimates and judgements

The recognition and measurement of provisions for liabilities and charges requires significant judgement and the use of estimates about uncertain future conditions or events.

Estimates include the best estimate of the probability of outflow of economic resources, cost of settling a provision and timing of settlement. Judgements are required for inherently uncertain areas such as legal decisions (including external advice obtained), and outcome of regulator reviews.

	2023			2022		
	Provision for credit commitments Ushs '000	Other provisions Ushs '000	Total Ushs '000	Provision for credit commitments Ushs '000	Other provisions Ushs '000	Total Ushs '000
At 1 January	**593,807**	**5,608,123**	**6,201,930**	408,127	2,178,351	2,586,478
Charge against profit	**(158,592)**	**388,719**	**230,127**	185,680	3,567,907	3,753,587
Provisions utilised	**-**	**(388,719)**	**(388,719)**	-	(138,135)	(138,135)
At 31 December	**443,993**	**5,650,316**	**6,094,309**	593,807	5,608,123	6,201,930

Provision for credit commitment comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations.

Other provisions consist mainly of provisions for regulatory settlements and legal claims, the nature of which are described in Note 26.

Notes to the financial statements continued

23. Contingent liabilities and commitments

Accounting policy

Financial guarantee contracts and loan commitments
The Bank issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held. Notional values of financial guarantee contracts and loan commitments are disclosed in the table below.

Financial guarantees, trade credits and irrevocable letters of credit are the notional values of contracts issued by the Bank's Transaction Banking business for which an obligation to make a payment has not arisen at the reporting date. Transaction Banking will issue contracts to clients and counterparties of clients, whereby in the event the holder of the contract is not paid, the Bank will reimburse the holder of the contract for the actual financial loss suffered. These contracts have various legal forms such as letters of credit, guarantee contracts and performance bonds. The contracts are issued to facilitate trade through export and import business, provide guarantees to financial institutions where the Bank has a local presence, as well as guaranteeing project financing involving large construction projects undertaken by sovereigns and corporates. The contracts may contain performance clauses which require the counterparty performing services or providing goods to meet certain conditions before a right to payment is achieved, however the Bank does not guarantee this performance. The Bank will only guarantee the credit of the counterparty paying for the services or goods.
Commitments are where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer under prespecified terms and conditions in the form of loans, overdrafts, future guarantees whether cancellable or not and the Bank has not made payments at the balance sheet date; those instruments are included in these financial statements as commitments. Commitments and contingent liabilities are generally considered on demand as the Bank may have to honour them, or the client may draw down at any time.

Capital commitments are contractual commitments the Bank has entered into to purchase non-financial assets.

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

Capital commitments	2023	2022
Contracted capital expenditure approved by the directors but not provided for in these accounts	-	-

The Bank conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2023 Ushs '000	2022 Ushs '000
Contingent liabilities		
Acceptances and letters of credit	**77,558,306**	47,160,283
Guarantees and performance bonds	**623,384,295**	458,990,572
	700,942,601	506,150,854
Commitments		
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**452,923,830**	459,320,133
	452,923,830	459,320,133

24. Legal and regulatory matters

Accounting policy

Where appropriate, the Bank recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation. The uncertainties inherent in legal and regulatory matters affect the amount and timing of any potential outflows with respect to which provisions have been established.

These uncertainties also mean that it is not possible to give an aggregate estimate of contingent liabilities arising from such legal and regulatory matters.

Transfer pricing audit by Uganda Revenue Authority

The Bank has been undergoing a transfer pricing audit by Uganda Revenue Authority (URA) for the period 2009 to 2012. URA issued a report with their audit findings with respect to intragroup services procured by the Bank from two shared service centres i.e. Standard Chartered Bank Kenya Limited ("SCBK") and Scope Private International India ("Scope International"). The report indicates URA's initial view of Ushs 4.3 billion potential tax payable which is subject to discussion. The Bank has responded to the matters raised and awaits URA's position accordingly.

During the year, URA cleared any transfer pricing concerns on services managed by Scope international, disallowed a flat 25% of the SCBK costs and issued a position report on Head Office Administrative Expenses (HOAE) services provided by SCB Singapore and SCB London. The disallowed costs amount to Ushs 4.53 billion and Ushs 37 billion for SCBK and HOAE respectively. The Bank has proposed the Alternate Dispute Resolution (ADR) channel for remediation together with provision of substantive documentation to support the transactions in scope.

URA has not issued any assessment with respect to the matter and the review is still ongoing. Therefore, no provision is held as the directors are of the view that these amounts are not payable.

Stamp duty audit by Uganda Revenue Authority

The Uganda Revenue Authority (URA) conducted a tax audit of instruments executed by Standard Chartered Bank Uganda Limited from 1 January 2015 to 31 December 2021.

The main finding by URA was that the Bank charged a nominal rate of stamp duty instead of 1% of the value of the instrument as provided for in the Stamp Duty Act 2014 ("the SDA"), between the period 1 January 2015 to 30 June 2019. The URA's assessment is that the Bank underpaid stamp duty by Ushs 7.35 billion.

The Bank obtained professional advice from its external lawyers and tax advisors which supports that there are adequate grounds to challenge the URA assessment. However, the Bank has prudently booked 100% provision for the potential duty payable due to recent developments of similar cases in the market during the year.

The Bank continues to monitor the progress of the initial objection to the URA assessment in accordance with the stipulated statutory provisions and awaits a ruling from the Tax Appeals Tribunal.

25. Subordinated liabilities and other borrowed funds

Accounting policy

Subordinated liabilities and other borrowed funds are classified as financial instruments. Refer to Note 13 Financial instruments for the accounting policy.
All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Bank has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements. Where a debt instrument is callable, the issuer has the right to call.

There were no subordinated liabilities and other borrowed funds held as at 31st Dec 2023 (nill for 2022)

26. Share capital, other equity instruments and reserves

Accounting policy

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.
Securities which carry a discretionary coupon and have no fixed maturity or redemption date are classified as other equity instruments. Interest payments on these securities are recognised, net of tax, as distributions from equity in the period in which they are paid.
Where the Company or other members of the consolidated Bank purchase the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity of the Bank and/or of the Company as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the Bank and/or the Company.

	Number of ordinary shares Ushs '000	Ordinary share capital[1] Ushs '000	Total share capital Ushs '000
At 1 January 2022	25,000	25,000,000	25,000,000
Additional Tier 1 equity issuance	125,000	125,000,000	125,000,000
At 31 December 2022	**150,000**	**150,000,000**	**150,000,000**
At 31 December 2023	**150,000**	**150,000,000**	**150,000,000**

1 Issued and fully paid ordinary shares @ Ushs 1,000 each

Asset revaluation reserve

The revaluation reserve relates to revaluation of buildings that was done in 2008 before change in the accounting policy to cost model from revaluation model for buildings. The revaluation surplus was credited to the asset revaluation reserve in equity through other comprehensive income. The accumulated depreciation as at the revaluation date was eliminated against the gross carrying amount of the asset and the net amount was restated to the revalued amount of the asset.

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 assets and depreciation based on the assets' original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

	2023 Ushs '000	2022 Ushs '000
Asset revaluation reserve	**1,862,854**	1,917,558

Regulatory general credit risk reserve

The regulatory general credit risk reserve represents amounts by which allowances for impairment of loans and advances determined in accordance with the Uganda Financial Institutions Act, 2004 as amended by Financial Institutions (Amendment) Act 2016, exceed those determined in accordance with International Financial Reporting Standards. These amounts are appropriated from retained earnings in accordance with accounting policy 2(d) (ii). The reserve is not distributable.

	2023 Ushs '000	2022 Ushs '000
At 1 January	**43,271,402**	142,591,960
Transfer from/(to) retained earnings during the year	**(19,905,444)**	(99,320,558)
At 31 December	**23,365,958**	43,271,402

26. Share capital, other equity instruments and reserves continued

The regulatory credit risk reserve is analysed as follows:

Provisions as per FIA 2004	2023 Ushs '000	2022 Ushs '000
Specific provisions	**16,398,634**	4,429,420
General provisions	**11,183,347**	11,982,036
Total	**27,581,981**	16,411,456
Impairment assessment as per IFRS 9 (Note 13)		
Individually assessed	**5,073,506**	5,905,338
Expected credit loss provisions	**69,175,406**	75,293,526
Total	**74,248,912**	81,198,864
Write offs as per FIA (2004)		
Gross Loans and Advances	**70,032,889**	108,058,810
Regulatory Credit Risk Reserve at 31 December	**23,365,958**	43,271,402

Fair value reserve

Movement in FVOCI financial assets

	2023 Ushs '000	2022 Ushs '000
At 1 January	**13,467,174**	20,394,879
IFRS 9 ECL impact on FVOCI reserve net of tax	**(4,243,358)**	(1,751,420)
Changes in revaluation of FVOCI debt instruments	**(5,598,898)**	(7,041,919)
Reclassification to the income statement upon derecognition of FVOCI debt instruments	**(5,547,983)**	(352,774)
Deferred tax on revaluation of FVOCI instruments	**3,344,064**	2,218,408
Net change in FVOCI (net of taxes)	**(12,046,175)**	(6,927,705)
At 31 December	**1,420,999**	13,467,174

Capital reserve

The capital reserve of Ushs 2,128 million (2022: Ushs 2,128 million) relates to the contribution paid by Standard Chartered Bank PLC on behalf of SCB Uganda for the acquisition of the Barclays Bank's custody business as a cost of acquiring international customers (the revenue of which accrues locally). This consideration was 'pushed down' to SCB Uganda as a deemed capital contribution

27. Retirement benefit obligations

Accounting policy

The Bank operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'staff costs'. Unpaid contributions are recorded as a liability. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.
The Bank also contributes to the National Social Security Fund (NSSF) which contributions are also charged to profit or loss as incurred.

Significant accounting estimates and judgements

Substantially all the Bank's employees are eligible to participate in the Bank's retirement scheme (the scheme) which is a defined contribution scheme. The Bank is required to make annual contributions to an external scheme at a rate of 8% of basic salary which is treated as an expense in profit or loss. Employees contribute 4% of their basic salary. The Bank has no other material obligations for retirement benefits beyond the annual contributions under the scheme. The Bank also makes contributions to a statutory pension scheme, the National Social Security Fund. Contributions are determined by local statute and are shared between employer and employee at 10% and 5% respectively, of the employee's income.

The sensitivity of the liabilities to changes in these assumptions is shown in the Note below.

Retirement benefit charge comprises:

	2023 Ushs '000	2022 Ushs '000
Defined contribution plans	3,216,829	2,797,776
Charge against profit (Note 7)	3,216,829	2,797,776

28. Cash flow statement

	Note	2023 Ushs '000	2022 Ushs '000
Profit before tax		**107,993,420**	86,488,289
Adjustments for:			
Depreciation – property and equipment	18	**2,324,453**	2,750,342
Depreciation - right-of-use assets	18	**1,499,082**	1,322,993
Depreciation – intangible assets	17	**3,145,189**	4,266,430
Impairment of intangible assets	17	**5,992**	10,541
Gain on disposal	6	**168,391**	-
Write-off of property& equipment		**320,709**	-
Credit loss expense on financial assets	8	**32,568,264**	91,503,983
Interest expense on lease liabilities	3	**341,841**	382,289
Unrealised losses / (gains) on FVTPL financial assets	5	**5,962,873**	(1,338,715)
		154,330,214	185,386,152
Adjustment for changes in operating assets & liabilities			
Change in restricted cash and balances with the central bank		**22,080,001**	(65,750,001)
Change in financial assets held at FVTPL maturing in excess of three months	13	**(477,246,241)**	(134,156,621)
Change in amounts due from banks, group and other related parties maturing after	13	**(46,873,028)**	(512,119,249)
Change in investment securities maturing after three months	13	**452,288,275**	37,621,794
Change in loans & advances to customers	13	**53,429,891**	(94,636,792)
Change in other assets	20	**24,260,755**	(21,972,375)
Change in customer accounts	13	**25,589,150**	43,971,252
Change in amounts due to banks, group and other related parties	18	**(13,245,542)**	33,250,827
Change in other liabilities	21	**(23,539,367)**	61,416,019
Change in asset derivative financial instruments	13	**(2,369,315)**	(3,615,086)
Change in liability derivative financial instruments	13	**(7,177,457)**	10,956,715
Cash flows generated from operating activities		**161,527,336**	(459,647,365)

29. Cash and cash equivalents

Accounting policy

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

The following balances with less than three months' maturity from the date of acquisition have been identified by the Bank as being cash and cash equivalents.

	2023 Ushs '000	2022 Ushs '000
Cash and balances at central banks	**370,788,638**	343,675,907
Less: restricted balances	**(264,250,000)**	(286,330,000)
Treasury bills and other eligible bills	**54,745,500**	3,945,283
Loans and advances to banks	**(93,645,864)**	(106,565,279)
Trading securities	**51,041,500**	143,320,557
Amounts owed by and due to subsidiary undertakings	**300,161,079**	303,402,345
Mobile money escrow accounts	**5,000,000**	-
Total	**423,840,853**	**401,448,813**

Notes to the financial statements continued

30.Related party transactions

The Bank also makes payments to the holding Bank, Standard Chartered London and other Group companies on arm's length basis for technology and financial group cost recharges, other recharges as well as shared service centre costs. The relevant costs are shown in Note 7.

The Bank also holds account balances with/for the holding Bank, Standard Chartered London and other Group companies for transaction processing and as actual placements or borrowings on arm's length basis. These are shown are shown in the table below.

Amounts due from group and other related parties	Ratings	2023 Ushs '000	2022 Ushs '000
Standard Chartered Bank London	A+	**581,075,800**	680,664,492
Standard Chartered Bank Tokyo	A+	**192,777**	359,967
Standard Chartered Bank Kenya Limited	Unrated	**1,284,210**	3,173,315
Standard Chartered Bank Tanzania Limited	Unrated	**89,041**	30,830
Standard Chartered Bank New York	A+	**97,393,088**	90,053,661
Standard Chartered Bank Frankfurt	A+	**91,939,249**	42,481,161
Standard Chartered Bank HongKong	A+	**113,449,424**	-
Standard Chartered Bank Mauritius	Unrated	**1,649,488**	75,566,220
Other receivables from Group	Unrated	**371,804**	1,388,769
		887,444,881	893,718,415

Due to group and other related parties			
Standard Chartered Bank New York	A+	**15,251**	15,279
Standard Chartered Bank Kenya Limited	Unrated	**727,146**	39,118,853
Standard Chartered Bank Tanzania Limited	Unrated	**52,735**	461,117
Standard Chartered Bank Dubai	Unrated	**1**	1
Standard Chartered Bank London	A+	**5,986,542**	939,211
Standard Chartered Bank Mauritius	Unrated	**57,408**	644
Standard Chartered Bank Frankfurt	A+	**840**	4,075
Other payables due to Group	Unrated	**10,939,893**	27,145,931
		17,779,816	67,685,111

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Bank and its employees. The Bank considers the members of the Board of Directors, Executive Committee and other senior members to be key management personnel for the purposes of Related Party Disclosures.

Directors and officers

IAS 24 Related party disclosures requires the following additional information for key management compensation. Key management comprises non-executive directors, executive directors of Standard Chartered Bank Uganda limited, the Court directors of Standard Chartered Bank and the persons discharging managerial responsibilities (PDMR) of Standard Chartered Bank Uganda Limited.

Details of directors' remuneration are disclosed in the table below and this combines Non-executive and Executive directors.

	2023 Ushs '000	2022 Ushs '000
Salaries, allowances and benefits in kind	**4,495,786**	4,030,474
Pension contributions	**716,760**	187,655
Non-executive directors' fees and benefits	**484,846**	383,542
Total	**5,697,391**	4,601,671

30.Related party transactions continued

Compensation of key management personnel

	2023 Ushs '000	2022 Ushs '000
Short-term employee benefits	35,139,457	29,041,363
Post-employment benefits	5,636,511	3,113,757
Total	**40,775,968**	32,155,120

Loans and Advances to Directors

As of 31 December 2023, the Bank has no exposure to a single person or group of related persons with advances or credit facilities exceeding 25% of core capital and advances to customers include loans and other facilities to directors or companies in which directors have interest amounting to Ushs 1,379 million (2022: Ushs 1,453 million) as analysed in the table below.

The interest rates charged to key management personnel range between 6.7% and 10% and the outstanding balance at the year-end was Ushs 4,065 million (2022: Ushs 4,177 million) secured by collateral of residential mortgages worth Ushs 6,699 million (2022: Ushs 6,586 million).

As of 31 December 2023, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2022: Nil). The total amounts of loans to directors were as follows:

Directors' borrowings

2023	Designation	Status	Exposure Ushs '000	Principal disbursed/(paid) Ushs '000	Interest paid Ushs '000	Collateral Ushs '000
Godfrey Sebaana	Executive Director	Performing	1,378,732	20,885	(95,004)	2,240,000

2022	Designation	Status	Exposure Ushs '000	Principal disbursed/(paid) Ushs '000	Interest paid Ushs '000	Collateral Ushs '000
Godfrey Sebaana	Executive Director	Performing	1,452,851	31,087	(100,102)	2,240,000

Other companies in Uganda which are related to the Bank as a result of common directorship are: Lex Uganda Advocates &Solicitors, Radio Sapienta, Capital Markets Authority, Kampala Club, Uganda Communications Commission (UCC), Technology Consults, Research and Education Network Uganda, Elizabeth Academy, Makerere Modern Secondary School ,Women of Uganda Network, Uganda Resilience Innovation Network, RENU Labs, Radio One Limited, Radio Two Limited, Ndiana Enterprises, Alimar Limited, Kiwana Estates Limited, Nakwaya Investments, Visa Plastics, Pokino Properties, Prime Estates Limited, Unigroup, Prepress Services Limited, Central Trust Limited, Summit Group Limited, Mega Trust Limited, Ucan Limited, Metro Link Limited, Budget Freight Limited, City Trade Limited, Road Link Limited, Starways Limited, City Trek Limited, City Travel Limited, Visa Services Limited, Bwerenga Estates Limited, Jjaja Estates Limited, Kiwatule Estates Limited, Visa Investments, Summit Estates Limited, Summit Limited, Uniplus Limited, Visa Press and Metro Services Limited and ABS Consulting Group Limited

31. Financial risk management

Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the bank's loans and advances to customers, other banks and investment securities. For risk management reporting purposes, the Bank considers all elements of credit risk exposure such as individual obligator default risk, country and sector risk.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

Management of credit risk

The Board Credit Committee exercise oversight of the key credit risks faced by the Bank and recommends the overall credit risk appetite to the Board of Directors. The Bank's credit risk management framework includes the following key components:

a) Establishment of credit risk appetite through determining risk tolerance levels and setting credit risk boundaries, in line with local regulatory requirements, to support achievement of the business strategy sustainably.
b) Formulation of credit policies and portfolio underwriting guidelines covering the origination, grading, mitigation, documentation and ongoing monitoring of credit risk.
c) Establishment of the authorisation structure for approval and renewal of credit facilities. The Board of Directors delegates credit authority to the Credit Approvals Committee and individual Credit Risk officers. Large exposures are specifically approved by the Board. Facilities to each borrower are preceded by a rigorous credit analysis and approval process taking into account a range of qualitative and quantitative considerations.
d) Integrated Middle Office, a separate unit that manages credit facility documentation, limit administration, and collateral monitoring.
e) Ongoing monitoring and control of all credit risk exposure at both individual borrower and overall portfolio level. Processes in place to promptly identify signs of stress and proactively manage early warning signals include Daily Excess and Past due Management, Early Alert (EAR), Accounts Subject to Additional Review (ASTAR), and the Conditions, Covenants and Risk Triggers Process. This is in addition to detailed review of individual credit facilities at least once annually. Problem accounts are monitored by Special Asset Management Unit.
f) At portfolio level, credit risk monitoring includes regular review of industry and counterparty concentration, collateralisation, tenor and risk grade profiles and trend, and the watch-list and problem accounts. This is done relative to the credit risk boundaries in place. The external environment is monitored through the Country Risk Triggers, regular analysis and Stress Tests to assess any potential impact to the credit portfolio and facilitate remediation efforts in a timely manner.Providing specialist skills and guidance to the business units to promote the adoption of best practice in the management of credit risk throughout the bank, and a culture of risk awareness.
g) There are specific roles and responsibilities for the business and credit risk management units. Regular audits of the bank's Credit risk management processes are undertaken by Internal Audit.

31. Financial risk management continued

Impaired loans and advances and investment debt securities

The table below sets out a reconciliation of changes in the carrying amount of impaired loans and advances to customers and loans and advances to banks classified in accordance with Bank of Uganda prudential guidelines.

For details of impairment allowance for loans and advances to customers, see Note 13.

Exposure to credit risk

	Loans and advances to customers		Loans and advances to banks	
	2023 Ushs '000	2022 Ushs '000	2023 Ushs '000	2022 Ushs '000
Carrying amount				
Individually impaired:				
Grade 13-14	**133,622,387**	122,861,851	**-**	-
Allowance for impairment	**(69,175,406)**	(75,293,526)	**-**	-
Carrying amount	**64,446,981**	47,568,325	**-**	-
Collectively Impaired:				
Allowance for impairment	**(5,073,506)**	(5,905,338)	**-**	-
Past due but not impaired:				
Grades 1-12	**16,775,311**	9,659,443	**-**	-
Carrying amount	**16,775,311**	9,659,443	**-**	-
Past due comprises:				
< 30 days	**7,250,969**	3,146,680	**-**	-
30-60 days	**7,835,098**	4,488,747	**-**	-
60-90 days	**1,689,244**	2,024,016	**-**	-
Carrying amount	**16,775,311**	9,659,443	**-**	-
Neither past due nor impaired:				
Grades 1-12	**1,053,813,114**	1,170,803,878	**1,245,016**	16,602,958
Carrying amount	**1,053,813,114**	1,170,803,878	**1,245,016**	16,602,958
Total Carrying amount	**1,129,961,900**	1,222,126,308	**1,245,016**	16,602,958

31. Financial risk management continued

Credit quality by class of financial assets continued

	2023					
	High grade	Standard grade	Sub-standard grade	Past due but not impaired	Individually impaired	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Cash and balances with the central bank	**370,788,638**	**-**	**-**	**-**	**-**	**370,788,638**
Financial assets held at fair value through profit or loss	**226,542,009**	**-**	**-**	**-**	**-**	**226,542,009**
Derivative financial instruments	**8,295,909**	**-**	**-**	**-**	**-**	**8,295,909**
Loans and advances to banks	**1,245,016**	**-**	**-**	**-**	**-**	**1,245,016**
Loans and advances to customers	**873,093,082**	**175,646,526**	**4,729,260**	**16,775,311**	**59,717,722**	**1,129,961,900**
Investment securities	**902,988,998**	**-**	**-**	**-**	**-**	**902,988,998**
Other assets	**-**	**89,833,402**	**-**	**-**	**-**	**89,833,402**
Amounts due from group and other related parties	**887,444,881**	**-**	**-**	**-**	**-**	**887,444,881**
Total assets	**3,270,398,533**	**265,479,928**	**4,729,260**	**16,775,311**	**59,717,722**	**3,617,100,753**

	2022					
	High grade	Standard grade	Sub-standard grade	Past due but not impaired	Individually impaired	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Cash and balances with the central bank	343,675,907	-	-	-	-	343,675,907
Financial assets held at fair value through profit or loss	157,294,669	-	-	-	-	157,294,669
Derivative financial instruments	11,889,467	-	-	-	-	11,889,467
Loans and advances to banks	16,602,958	-	-	-	-	16,602,958
Loans and advances to customers	904,886,475	260,012,065	13,656,173	9,659,443	33,912,152	1,222,126,308
Investment securities	1,002,955,370	-	-	-	-	1,002,955,370
Other assets	-	109,303,991	-	-	-	109,303,991
Amounts due from group and other related parties	893,718,415	-	-	-	-	893,718,415
Total assets	3,331,023,261	369,316,056	13,656,173	9,659,443	33,912,152	3,757,567,085

Accounts graded credit grading CG 12 to CG14 are collectively classified as Problem Accounts. Accounts graded CG13 and CG14 are collectively classified as Impaired Accounts.

CG12 – Accounts that may be inadequately protected by current trading performance, balance sheet strength and/or liquidity or by the collateral pledged, if any. There is currently no expectation of loss of principal or interest, and therefore interest on CG12 accounts is taken to Income.

CG13 – Accounts which exhibit one or more of the symptoms as set out below. This includes where an obligor is more than 90 days past due. Objective evidence of impairment exists, but, normally owing to the remedial action being taken, there is a reasonable expectation that the underlying principal obligation will ultimately be repaid in full. An Impairment Provision – Discount is applied to the account balance to reflect the net present value of the estimated cash flows deriving from the account.

CG14 – Any account where a loss of principal is expected and against which an Impairment Provision – Principal has been charged to the profit or loss.

Included in loans and advances to customers as at 31 December 2023 are restructured/renegotiated loans and advances amounting to Ushs 1,604 million (2022: Ushs 9,233 million). During the year, the reduction in restructured/renegotiated loans and advances was a result of expiry of credit reliefs/moratoria granted to borrowers in order to manage the impact of the Covid-19 pandemic on the credit portfolio

31. Financial risk management continued

The Covid-19 credit reliefs/moratoria granted resulted into modification of financial assets and although there were no cases of derecognition of financial assets during the year, IFRS 9 guidance requires an entity to recalculate the gross carrying amount of the financial assets as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate and recognise a modification gain or loss in profit or loss.

From the review of the restructured/renegotiated loans and advances as at 31 December 2023, there was no substantial variance between the net present value of cashflows under modified terms and the net present value of the remaining cashflows of the original loans and this was exacerbated by limited duration of less than 6 months for credit reliefs/moratoria granted hence no need to compensate for time value for money on this portfolio. As a result, no modification gain or loss has been recorded in the financial statements.

The ratio of nonperforming loans and advances to gross loans and advances (NPA ratio) as at 31 December 2023 in accordance with IFRS was 8.67% (2022: 8.77%) while the NPA ratio as at 31 December 2023 in accordance with Bank of Uganda prudential guidelines was 2.96% (2022: 1.23%).

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations on its financial liabilities. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

Management of liquidity risk

The Bank has access to a diverse funding base. Funds are raised mainly from deposits and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall bank strategy. In addition, the Bank has an Asset and Liability Committee that meet on a regular basis to monitor Liquidity risk, review and approve liquidity policies and procedures.

Exposure to liquidity risk

A key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash in hand, balances with Bank of Uganda, placements maturing within three months and investments for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within three months.

During the year, the Financial Institutions (Liquidity) Regulations 2023 were issued, and these introduced new liquidity metrices such as Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) under Basel III as prudential requirements as well as implementation of Internal Liquidity Adequacy Assessment Process (ILAAP).

Details of the regulatory liquidity ratios at the reporting date were as follows:

	2023 Ushs '000	2022 Ushs '000
Net liquid assets	**1,163,434,494**	847,392,156
Customer accounts	**2,544,429,898**	2,518,840,748
Liquid Assets ratio: (Minimum 20%)	**45.72%**	33.64%

Loan to Deposit Ratio: (Maximum 80%)	**44.41%**	48.81%
Liquidity Coverage Ratio: (Minimum 100%)	**347.26%**	242.55%
Net Stable Funding Ratio: (Minimum 100%)	**421.81%**	320.46%

Notes to the financial statements continued

31. Financial risk management continued

The tables below summarise the maturity profile of the Bank's financial assets and liabilities into relevant maturity buckets based on the remaining period at 31 December 2023 and at 31 December 2022 to the contractual maturity date:

Maturity Profile

	2023					
	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets						
Cash and balances with the central	370,788,638	-	-	-	-	370,788,638
Financial assets held at fair value through profit or loss	160,147,000	-	5,178,653	61,216,356	-	226,542,009
Derivative financial instruments	339,896	7,752,704	203,308	-	-	8,295,909
Loans and advances to banks	1,245,016	-	-	-	-	1,245,016
Loans and advances to customers	218,471,443	237,915,543	114,520,798	449,618,04	109,436,07	1,129,961,900
Investment securities	86,417,800	196,609,225	619,961,973	-	-	902,988,998
Other assets	89,833,402	-	-	-	-	89,833,402
Amounts due from group and other related parties	316,291,407	1,649,488	406,216,272	163,287,714	-	887,444,881
Total financial assets	1,243,534,602	443,926,961	1,146,081,00	674,122,114	109,436,07	3,617,100,753
Liabilities						
Deposits by banks	94,890,880	-	-	15,514,361	5,419,465	115,824,706
Customer accounts	2,198,267,472	95,004,374	147,826,809	103,331,243	-	2,544,429,898
Derivative financial instruments	236,440	5,962,537	40,016	-	-	6,238,993
Other liabilities	224,525,556	224,669	793,712	2,148,360	-	227,692,297
Due to parent companies, subsidiary undertakings & other related parties	17,779,816	-	-	-	-	17,779,816
Total financial liabilities	2,535,700,163	101,191,579	148,660,538	120,993,964	5,419,465	2,911,965,710
Off statement of financial position	93,986,939	82,570,784	768,381,858	205,720,65	3,206,197	1,153,866,431
Liquidity gap						
As at 31 December 2023	(1,386,152,500)	260,164,597	229,038,609	347,407,49	100,810,41	(448,731,387)

Maturity Profile continued

	2022					
	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets						
Cash and balances with the central	343,675,907	-	-	-	-	343,675,907
Financial assets held at fair value through profit or loss	1,971,000	1,974,283	3,359,650	149,989,736	-	157,294,669
Derivative financial instruments	1,198,458	6,780,421	3,910,588	-	-	11,889,467
Loans and advances to banks	16,602,958	-	-	-	-	16,602,958
Loans and advances to customers	285,456,067	257,775,692	120,753,783	461,401,998	96,738,768	1,222,126,308
Investment securities	54,326,201	88,994,356	411,308,032	371,939,470	76,387,311	1,002,955,370
Other assets	109,303,991	-	-	-	-	109,303,991
Amounts due from group and other related parties	220,738,201	150,349,256	360,844,209	161,786,749	-	893,718,415
Total financial assets	1,033,272,784	505,874,008	900,176,262	1,145,117,953	173,126,079	3,757,567,085
Liabilities						
Deposits by banks	123,168,237	-	17,891,906	7,713,413	8,574,049	157,347,605
Customer accounts	2,170,412,237	40,369,885	64,702,155	243,356,471	-	2,518,840,748
Derivative financial instruments	668,013	12,128,803	619,634	-	-	13,416,450
Other liabilities	242,400,035	1,339,266	338,911	1,144,902	-	245,223,114
Due to parent companies, subsidiary undertakings & other related parties	30,112,646	37,572,465	-	-	-	67,685,111
Total financial liabilities	2,566,761,168	91,410,419	83,552,606	252,214,786	8,574,049	3,002,513,028
Off statement of financial position contingents and commitments	79,755,403	116,465,364	574,559,130	191,277,692	3,413,399	965,470,988
Liquidity gap						
As at 31 December 2022	(1,613,243,787)	297,998,225	242,064,526	701,625,475	161,138,630	(210,416,931)

Maturity Profile continued

The tables below summarize the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities into relevant maturity Banking based on the remaining period at 31 December 2023 and at 31 December 2022 to the contractual maturity date:

	2023					
	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets						
Cash and balances with the central bank	370,788,638	-	-	-	-	370,788,638
Financial assets held at fair value through profit or loss	160,147,000	-	5,178,653	68,562,318	-	233,887,972
Derivative financial instruments	339,896	7,752,704	203,308	-	-	8,295,909
Loans and advances to banks	1,245,016	-	-	-	-	1,245,016
Loans and advances to customers	289,298,152	241,308,772	118,077,787	587,844,067	204,044,68	1,440,573,459
Investment securities	86,780,354	196,609,225	619,961,973	-	-	903,351,552
Other assets	89,833,402	-	-	-	-	89,833,402
Amounts due from group and other related parties	316,291,407	1,649,488	406,216,272	182,882,240	-	907,039,407
Total financial assets	1,314,723,865	447,320,190	1,149,637,99	839,288,625	204,044,68	3,955,015,355
Liabilities						
Deposits by banks	94,890,880	-	-	17,376,084	9,550,950	121,817,914
Customer accounts	2,197,476,839	96,119,422	153,536,569	146,492,776	-	2,593,625,60
Derivative financial instruments	236,440	5,962,537	40,016	-	-	6,238,993
Other liabilities	224,525,556	251,629	995,633	3,184,307	-	228,957,125
Due to parent companies, subsidiary undertakings & other related parties	17,779,816	-	-	-	-	17,779,816
Total financial liabilities	2,534,909,530	102,333,588	154,572,218	167,053,167	9,550,950	2,968,419,453
Off statement of financial position	93,986,939	82,570,784	768,381,858	205,720,654	3,206,197	1,153,866,431
Liquidity gap						
As at 31 December 2023	(1,314,172,604)	262,415,818	226,683,918	466,514,804	191,287,535	(167,270,530)

Maturity Profile continued

	2022					
	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets						
Cash and balances with the central	343,675,907	-	-	-	-	343,675,907
Financial assets held at fair value through profit or loss	1,971,000	1,974,283	3,359,650	164,238,761	-	171,543,694
Derivative financial instruments	1,198,458	6,780,421	3,910,588	-	-	11,889,467
Loans and advances to banks	16,602,958	-	-	-	-	16,602,958
Loans and advances to customers	306,733,891	261,455,163	125,089,661	613,124,426	184,416,197	1,490,819,338
Investment securities	54,326,201	88,994,356	415,817,754	487,311,234	159,635,247	1,206,084,792
Other assets	109,303,991	-	-	-	-	109,303,991
Amounts due from group and other related parties	220,738,201	150,349,256	360,844,209	177,156,490	-	909,088,156
Total financial assets	1,054,550,608	509,553,479	909,021,862	1,441,830,911	344,051,444	4,259,008,30
Liabilities						
Deposits by banks	103,168,203	-	17,891,906	8,446,187	14,779,872	144,286,168
Customer accounts	2,170,601,819	40,795,171	69,134,942	308,900,302	-	2,589,432,234
Repurchase agreements and other	20,000,034	-	-	-	-	20,000,034
Derivative financial instruments	668,013	12,128,803	619,634	-	-	13,416,450
Other liabilities	242,400,035	1,466,496	406,363	1,645,981	-	245,918,875
Due to parent companies, subsidiary undertakings & other related parties	30,112,646	37,572,465	-	-	-	67,685,111
Total financial liabilities	2,566,950,750	91,962,935	88,052,845	318,992,470	14,779,872	3,080,738,87
Off statement of financial position	79,755,403	116,465,364	574,559,130	191,277,692	3,413,399	965,470,988
Liquidity gap						
As at 31 December 2022	(1,592,155,545)	301,125,179	246,409,888	931,560,749	325,858,173	212,798,443

Notes to the financial statements continued

Maturity Profile continued

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	2023		
	Within 12 months Ushs '000	After 12 months Ushs '000	Total Ushs '000
Assets			
Cash and balances with the central bank	370,788,638	-	370,788,638
Financial assets held at fair value through profit or loss	165,325,653	61,216,356	226,542,009
Derivative financial instruments	8,295,909	-	8,295,909
Loans and advances to banks	1,245,016	-	1,245,016
Loans and advances to customers	570,907,784	559,054,116	1,129,961,900
Investment securities	902,988,998	-	902,988,998
Other assets	92,613,765	-	92,613,765
Amounts due from group and other related parties	724,157,167	163,287,714	887,444,881
Goodwill and intangible assets	-	15,015,293	15,015,293
Property, plant and equipment	-	13,896,466	13,896,466
Deferred tax assets	5,847,296	-	5,847,296
Total assets	2,842,170,226	812,469,945	3,654,640,171
Liabilities			
Deposits by banks	94,890,880	20,933,826	115,824,706
Customer accounts	2,441,098,655	103,331,243	2,544,429,898
Derivative financial instruments	6,238,993	-	6,238,993
Other liabilities	229,761,847	2,148,360	231,910,207
Due to parent companies, subsidiary undertakings & other related parties	17,779,816	-	17,779,816
Current tax liabilities	179,312	-	179,312
Accruals and deferred income	23,424,940	-	23,424,940
Provisions for liabilities and charges	6,094,309	-	6,094,309
Total liabilities	2,819,468,751	126,413,430	2,945,882,181
Off statement of financial position contingents and commitments	944,939,580	208,926,851	1,153,866,431
Liquidity gap			
As at 31 December 2023	(922,238,105)	477,129,664	(445,108,441)

Maturity Profile continued

	2022		
	Within 12 months	After 12 months	Total
	Ushs '000	Ushs '000	Ushs '000
Assets			
Cash and balances with the central bank	343,675,907	-	343,675,907
Financial assets held at fair value through profit or loss	7,304,933	149,989,736	157,294,669
Derivative financial instruments	11,889,467	-	11,889,467
Loans and advances to banks	16,602,958	-	16,602,958
Loans and advances to customers	663,985,542	558,140,766	1,222,126,308
Investment securities	554,628,589	448,326,781	1,002,955,370
Other assets	119,440,673	-	119,440,673
Amounts due from group and other related parties	731,931,666	161,786,749	893,718,415
Goodwill and intangible assets	-	14,615,582	14,615,582
Property, plant and equipment	-	11,223,797	11,223,797
Total assets	2,449,459,735	1,344,083,411	3,793,543,146
Liabilities			
Deposits by banks	141,060,143	16,287,462	157,347,605
Customer accounts	2,275,484,277	243,356,471	2,518,840,748
Derivative financial instruments	13,416,451	-	13,416,451
Other liabilities	249,533,582	1,144,902	250,678,484
Due to parent companies, subsidiary undertakings & other related parties	67,685,111	-	67,685,111
Current tax liabilities	7,211,162	-	7,211,162
Accruals and deferred income	20,819,030	-	20,819,030
Deferred tax liabilities	2,094,522	-	2,094,522
Provisions for liabilities and charges	6,201,930	-	6,201,930
Total liabilities	2,783,506,208	260,788,835	3,044,295,043
Off statement of financial position contingents and commitments	770,779,897	194,691,091	965,470,988
Liquidity gap			
As at 31 December 2022	(1,104,826,370)	888,603,485	(216,222,885)

Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rates levels consistent with the Bank's business strategies. Interest rate monitoring is done through the Bank's Asset and Liability Committee.

The tables on the following pages summarise the exposure to interest rate risks. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Bank does not bear an interest rate risk on off statement of financial position items

Interest Rate Risk continued

	2023						
	Up to 1 month Ushs '000	1 to 3 months Ushs '000	3 to 12 months Ushs '000	1 to 5 years Ushs '000	Over 5 years Ushs '000	Non-interest bearing Ushs '000	Total Ushs '000
Assets							
Cash and balances with the central bank	-	-	-	-	-	370,788,638	370,788,638
Financial assets held at fair value through profit or	160,147,000	-	5,178,653	61,216,356	-	-	226,542,009
Derivative financial	339,896	7,752,704	203,308	-	-	-	8,295,909
Loans and advances to banks	1,245,016	-	-	-	-	-	1,245,016
Loans and advances to customers	218,471,443	237,915,543	114,520,798	449,618,044	109,436,072	-	1,129,961,900
Investment securities	86,417,800	196,609,225	619,961,973	-	-	-	902,988,998
Other assets	-	-	-	-	-	89,833,402	89,833,402
Amounts due from group and other related parties	316,291,407	1,649,488	406,216,272	163,287,714	-	-	887,444,881
Total financial assets	782,912,562	443,926,961	1,146,081,005	674,122,114	109,436,072	460,622,040	3,617,100,753
Liabilities							
Deposits by banks	94,890,880	-	-	15,514,361	5,419,465	-	115,824,706
Customer accounts	614,314,017	95,004,374	147,826,809	103,331,243	-	1,583,953,455	2,544,429,898
Derivative financial instruments	236,440	5,962,537	40,016	-	-	-	6,238,993
Other liabilities	-	-	-	-	-	227,692,297	227,692,297
Due to parent companies, subsidiary undertakings & other related parties	17,779,816	-	-	-	-	-	17,779,816
Total financial liabilities	727,221,152	100,966,911	147,866,825	118,845,604	5,419,465	1,811,645,752	2,911,965,710
Interest Rate Gap							
At 31 December 2023	55,691,410	342,960,050	998,214,180	555,276,510	104,016,607	(1,351,023,712)	705,135,044

Notes to the financial statements continued

Interest Rate Risk continued

	2022						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Assets							
Cash and balances with the central bank	-	-	-	-	-	343,675,907	343,675,907
Financial assets held at fair value through profit or loss	1,971,000	1,974,283	3,359,650	149,989,736	-	-	157,294,669
Derivative financial instruments	1,198,458	6,780,421	3,910,588	-	-	-	11,889,467
Loans and advances to banks	16,602,958	-	-	-	-	-	16,602,958
Loans and advances to customers	285,456,067	257,775,692	120,753,783	461,401,998	96,738,768	-	1,222,126,308
Investment securities	54,326,201	88,994,356	411,308,032	371,939,470	76,387,311	-	1,002,955,370
Other assets	-	-	-	-	-	109,303,991	109,303,991
Amounts due from group and other related parties	220,738,201	150,349,256	360,844,209	161,786,749	-	-	893,718,415
Total financial assets	580,292,886	505,874,008	900,176,262	1,145,117,953	173,126,079	452,979,898	3,757,567,086
Liabilities							
Deposits by banks	123,168,237	-	17,891,906	7,713,413	8,574,049	-	157,347,605
Customer accounts	667,645,369	40,369,885	64,702,155	243,356,471	-	1,502,766,868	2,518,840,748
Derivative financial instruments	668,013	12,128,803	619,634	-	-	-	13,416,450
Other liabilities	-	-	-	-	-	245,223,114	245,223,114
Due to parent companies, subsidiary undertakings & other related parties	30,112,646	37,572,465	-	-	-	-	67,685,111
Total financial liabilities	821,594,265	90,071,153	83,213,695	251,069,884	8,574,049	1,747,989,982	3,002,513,028
Interest Rate Gap							
At 31 December 2022	(241,301,380)	415,802,855	816,962,567	894,048,069	164,552,029	(1,295,010,084)	755,054,057

Sensitivity Analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered daily include a 1 basis point (bp) parallel rise in all yield curves worldwide.

The statement of financial position is re-priced per currency, the net position is derived and the impact of change in interest rates in the various buckets determined. The key assumptions used for sensitivity analysis include:
It is assumed there is no asymmetrical movement in yield curves; A constant statement of financial position is assumed; The statement of financial position is bucketed based on the interest rate re-pricing. Where the behavioural re-pricing profile defers significantly from the contractual re-pricing profile the bucketing is based on the behavioural profile.

An analysis of the Bank's sensitivity to an increase in market interest rates i.e., resulting loss (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows per currency:

	2023		2022	
	Effect on profit before tax +/-	1 bp limit	Effect on profit before tax +/-	1 bp limit
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
USD	**(4,536)**	**(18,900)**	7,388	76,111
Other currencies excluding USD &UGX	**470**	**5,670**	1,752	20,758
UGX	**7,714**	**56,700**	197,257	221,414

	2023		2022	
	Effect on equity +/-	1 bp limit	Effect on equity +/-	1 bp limit
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
USD	**(3,175)**	**(18,900)**	5,171	76,111
Other currencies excluding USD &UGX	**329**	**5,670**	1,228	20,758
UGX	**4,853**	**56,700**	137,718	221,414

Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The bank's transactional exposures give rise to foreign currency gains and losses that are recognised in profit and loss. In respect of monetary assets and liabilities in foreign currencies, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. Monitoring of foreign currency fluctuations is done through the bank's Asset and Liability Committee. The Bank operates wholly within Uganda and its assets and liabilities are reported in Uganda shillings.
Other currencies disclosed in the table below include; Kenyan Shilling, Tanzanian Shilling, Canadian Dollar, Swiss franc, Danish Krone, South African Rand, Chinese Yuan, Rwandan Franc, Japanese Yen, Arab Emirates Dirham, Pakistani Rupee, Swedish Krona and Indian Rupee.

Currency risk continued

An analysis of the Bank's sensitivity to changes in foreign exchange rates on the statement of financial position i.e., resulting gain/(loss) is as follows per currency

	2023 Effect on profit before tax +/- Ushs '000	2022 Effect on profit before tax +/- Ushs '000
USD	**7,941,371**	23,177,711
EUR	**(15,712,332)**	5,990,843
GBP	**(69,592)**	(33,755)
Other Currencies	**(345,704)**	(578,532)

	2023 Effect on equity +/- Ushs '000	2022 Effect on equity +/- Ushs '000
USD	**5,558,959**	16,224,398
EUR	**(10,998,633)**	4,193,590
GBP	**(48,715)**	(23,629)
Other Currencies	**(241,993)**	(404,972)

Key Currency Exposures

2023	US Dollars Ushs '000	Euro Ushs '000	GBP Ushs '000	UGX Ushs '000	Other Currencies Ushs '000	Total Ushs '000
Assets						
Cash and balances with the central bank	77,732,759	4,473,684	2,615,140	285,155,451	811,604	370,788,638
Financial assets held at fair value through profit or loss	-	-	-	226,542,009	-	226,542,009
Derivative financial instruments	8,295,909	-	-	-	-	8,295,909
Loans and advances to banks	-	-	33,057	3,487	1,208,472	1,245,016
Loans and advances to customers	445,728,187	20,697,229	-	663,536,484	-	1,129,961,900
Investment securities	-	-	-	902,988,998	-	902,988,998
Other assets	77,624,749	19,278	-	11,959,884	229,491	89,833,402
Amounts due from group and other related parties	617,430,588	91,939,249	5,827,811	166,087,645	6,159,588	887,444,881
Total financial assets	1,226,812,192	117,129,440	8,476,008	2,256,273,958	8,409,155	3,617,100,753
Liabilities						
Deposits by banks	3,167,666	6,267,051	-	104,260,846	2,129,143	115,824,706
Customer accounts	969,516,406	185,504,268	8,602,859	1,379,628,459	1,177,906	2,544,429,898
Derivative financial instruments	6,238,993	-	-	-	-	6,238,993
Other liabilities	104,730,745	350,159	83,568	122,527,015	810	227,692,297
Due to parent companies, subsidiary undertakings & other related parties	10,802,207	-	-	1,297,455	5,680,154	17,779,816
Total financial liabilities	1,094,456,017	192,121,478	8,686,427	1,607,713,775	8,988,013	2,911,965,710
Currency exposure Gap						
As at 31 December 2023	132,356,175	(74,992,038)	(210,419)	648,560,183	(578,858)	705,135,043

Key currency exposures continued

2022	US Dollars Ushs '000	Euro Ushs '000	GBP Ushs '000	UGX Ushs '000	Other Currencies Ushs '000	Total Ushs '000
Assets						
Cash and balances with the central bank	63,675,014	9,271,064	3,433,245	266,522,652	773,932	343,675,907
Financial assets held at fair value through profit or loss	-	-	-	157,294,669	-	157,294,669
Derivative financial instruments	7,966,485	3,272,118	452,324	-	198,540	11,889,467
Loans and advances to banks	-	-	297,052	16,305,906	-	16,602,958
Loans and advances to customers	487,127,100	18,500,310	-	716,498,898	-	1,222,126,308
Investment securities	-	-	-	1,002,955,370	-	1,002,955,370
Other assets	77,624,749	356,399	-	31,059,450	263,393	109,303,991
Amounts due from group and other related parties	675,492,341	42,481,161	9,648,495	166,096,418	-	893,718,415
Total financial assets	1,311,885,689	73,881,052	13,831,116	2,356,733,362	1,235,865	3,757,567,085
Liabilities						
Deposits by banks	46,263,264	555,490	-	105,590,072	4,938,779	157,347,605
Customer accounts	945,179,384	168,098,078	12,556,611	1,392,732,042	274,633	2,518,840,748
Derivative financial instruments	7,979,606	3,272,118	452,324	-	1,712,402	13,416,450
Other liabilities	106,632,172	2,609,099	715,760	134,685,239	580,845	245,223,115
Due to parent companies, subsidiary undertakings & other related parties	64,439,094	-	-	2,919,695	326,322	67,685,111
Total financial liabilities	1,170,493,520	174,534,785	13,724,695	1,635,927,048	7,832,981	3,002,513,029
Currency exposure Gap						
As at 31 December 2022	141,392,169	(100,653,733)	106,421	720,806,314	(6,597,117)	755,054,056

Non-financial risk

In addition to the risks discussed above, the Bank also faces a number of other risks which it groups and manages under Non-financial risk. Non-financial risk encompasses operational, compliance, reputational, conduct and information and cyber security risks.

Operational risk is the risk of direct or indirect impacts resulting from inadequate or failed internal processes or systems or from external events. Major sources of operational risk include: implementation of strategic change, outsourcing of operations, dependence on key suppliers, fraud, error, customer service quality, regulatory compliance, payment systems' reliability, IT security, recruitment, training and retention of staff, and social and environmental impacts. Operational risk is managed and monitored by the Executive Risk Committee.

Compliance Risk is the risk of adverse impact resulting from a failure on our part to comply with laws, or regulations. Adverse impact arises through penalties or loss to the Bank or our clients, stakeholders or to the integrity of the markets we operate in. The Bank has no appetite for breaches in laws and regulations, whilst recognising that regulatory non-compliance cannot be entirely avoided the Bank strives to reduce this to an absolute minimum.

Reputational Risk is the risk of adverse impact to the franchise, resulting in loss of earnings or adverse impact on market capitalisation because of stakeholders taking a negative view of the organisation, its actions or inactions – leading stakeholders to change their behaviour. The Bank aims to protect the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight.

Conduct Risk is the risk of detriment to the Bank's clients, investors, shareholders, market integrity, competition, and counterparties or risk of detriment from the inappropriate supply of financial services, including instances of wilful or negligent misconduct. The Bank has no appetite for negative conduct risk outcomes arising from negligent or wilful actions by the Bank or individuals recognising that whilst incidents are unwanted, they cannot be entirely avoided

Information and cyber security Risk are the risks of potential for loss from a breach of confidentiality, integrity and availability of the Bank's information systems and assets through cyber-attack, insider activity, and error or control failure. The Bank seeks to avoid risk and uncertainty for our critical information assets and systems and has a low appetite for material incidents affecting these or the wider operations and reputation of the bank.

Non-financial risk continued

The Bank will continue to enhance its non-financial practices and methodologies where appropriate and will implement advanced non-financial risk management to enhance shareholder value and the quality of customer service.

The Bank also has a non-financial risk framework, which is approved by the Board and is consistent with and part of the Standard Chartered Risk Governance framework. Board Governance Standards have been established for all key areas of identified risk. These standards are high-level articulations of the Board's risk control requirements. Non-financial risk is subject to management oversight throughout the organisation. The prime responsibility for the management of non-financial risk and compliance with Board Standards rests with the businesses and functional units where the risks arise. Front line non-financial risk managers service and support business units in managing these risks. The Country Compliance Officer plays an assurance role in this regard.
A consistent approach to the identification and assessment of key risks and controls is undertaken across all business units. Scenario analysis and self-assessment techniques are widely used by business management for risk identification and evaluation of control effectiveness and monitoring capability. Business management determine whether particular risks are effectively managed within business risk appetite or otherwise take remedial action.
The Internal Audit function also provides an assurance role for non-financial risk control across the organization to the Board and senior management.

Capital adequacy

The Bank monitors the adequacy of its capital using ratios established by the Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act, 2016. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets and off-statement of financial position commitments at a weighted amount to reflect their relative risk.

Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50% and 100%) are applied; for example cash and balances with Bank of Uganda and Debt instruments issued by Bank of Uganda have a zero risk weighting which means that no capital is required to support the holding of these assets. Balances with other Banks have risk weightings of either 20%, 50% and 100% because they carry some risk and Property and equipment carries a 100% risk weighting, and other asset categories have intermediate weightings.

The Financial Institutions (Capital Adequacy Requirements) Regulations, 2018 introduced an additional requirement of Market and Counterparty Credit risk when determining total risk weighted assets for capital computation. (Refer to capital adequacy computations note 3 below).

Off-statement of financial position which includes credit related commitments are taken into account by applying different categories of credit conversion factors, designed to convert these items into statement of financial position equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets. The conversion factors used by the Bank closely follow the standard percentages under Basel II Accord.

Tier 1 capital consists of share capital, retained earnings and capital reserves, other general reserves less unrealised revaluation gains, goodwill, prohibited loans to insiders, intangible assets and other deductions as determined by Bank of Uganda. Tier 2 capital includes the Bank's revaluation reserves and unencumbered general provision for losses. Tier 2 capital is limited to 100% of Tier 1 capital.

The Financial Institutions (Capital Adequacy Requirements) Regulations, 2018 restricts the amount of the unencumbered general provisions for losses qualifying for Tier 2 Capital computation to 1.25 % of the risk weighted assets. Such general provisions should have been created against the possibility of losses not yet identified.

The Financial Institutions (Capital Buffer and Leverage ratio) regulations 2020 require a 2.5% additional capital conservation buffer on the core and total capital requirement for all financial institutions and systemic risk buffer (0%-3.5%) and countercyclical buffer (0%-2.5%) for qualifying institutions.

The Basel II guidelines assess the impact of operational risk, credit risk, stress testing and internal capital adequacy assessment processes (ICAAP) on the minimum capital requirements. The Basel II guidelines introduced additional capital charge as a result of Pillar 1 (operational, credit, market and stress testing) risk assessments and Pillar II supervisory review process as included in the ICAAP. The capital adequacy compliance is assessed based on the Basel I computation, however, the Bank Of Uganda is currently monitoring compliance with the Basel II requirements and intends to amend the Financial Institutions (Capital Adequacy) Regulations to include them.

Notes to the financial statements continued

Capital adequacy continued

Tier 1 Capital

	Note	2023 Ushs '000	2022 Ushs '000
Share capital	26	**150,000,000**	150,000,000
Retained earnings		**449,947,470**	538,463,869
Capital reserve	26	**2,128,100**	2,128,100
Unrealised revaluation gains	5	**(2,056,916)**	(1,338,715)
Capitalised software	17	**(13,525,419)**	(13,125,708)
Deferred Tax	10	**(5,847,296)**	-
Goodwill	17	**(1,489,874)**	(1,489,874)
		579,156,065	674,637,672
Asset revaluation reserves	26	**1,862,854**	1,917,558
Unencumbered general provisions for losses	26	**11,183,347**	11,982,036
		13,046,201	13,899,594
Total Capital (Tier 1 + Tier 2)		**592,202,266**	688,537,266

		Note	2023	2022
Leverage Ratio (minimum 6%)	A/(B+C)		**12.04%**	14.18%
Core capital	A		**579,156,065**	674,637,672
Total balance sheet	B		**3,654,640,171**	3,793,543,146
Total off balance sheet	C	23	**1,153,866,431**	965,470,987

	FIA Minimum Capital Requirements		Capital Adequacy as at	
FIA Capital Ratios	2023	2022	2023	2022
Tier 1 capital	**12.50%**	12.50%	**22.73%**	25.09%
Tier 1 + Tier 2 capital	**14.50%**	14.50%	**23.24%**	25.61%

Below are the buffers required to be maintained above the minimum capital ratio requirement as at 31 December.

Buffers	2023	2022
Capital conservation	**2.50%**	2.50%
Domestic systemically important banks	**0.50%**	0.50%
Basel Pillar 2 risk	**0.17%**	2.20%
Total	**3.17%**	5.20%

Notes to the financial statements continued

Capital adequacy continued

Below are the tables show risk weighted assets computations as per local regulatory requirements at 31 December.

Risk-weighted assets		Statement of financial position/Nominal		Risk weight	Risk weighted	
	Note	2023 Ushs '000	2022 Ushs '000		2023 Ushs '000	2022 Ushs '000
Statement of financial position assets (net of						
Cash and balances with the central bank		**370,788,638**	343,675,907	**0%**	**-**	-
Financial assets held at fair value through profit or	13	**226,542,009**	429,493,461	**0%**	**-**	-
Derivative financial instruments	13,14	**8,295,909**	11,889,467	**100%**	**8,295,909**	11,889,467
Loans and advances to banks-Local Banks	13	**-**	-	**20%**	**-**	-
Loans and advances to banks-Foreign Banks	13	**1,245,016**	16,602,958	**100%**	**1,245,016**	16,602,958
Loans and advances to customers (FIA)*	13	**1,117,779,288**	1,198,203,621	**100%**	**1,117,779,288**	1,198,203,621
Investment securities	20	**902,988,998**	730,756,578	**0%**	**-**	-
Other assets	13	**92,613,765**	119,440,673	**100%**	**92,613,765**	119,440,673
Amounts due from group	30	**879,955,824**	888,362,887	**50%**	**439,977,912**	444,181,444
Amounts due from other related parties	30	**7,489,057**	5,355,528	**100%**	**7,489,057**	5,355,528
Property, plant and equipment	18	**13,896,466**	11,223,797	**100%**	**13,896,466**	11,223,797
Deferred tax asset	10	**5,847,296**	-	**0%**	**-**	-
Goodwill and intangible assets	17	**15,015,293**	14,615,582	**0%**	**-**	-
		3,642,457,559	3,769,620,459		**1,681,297,413**	1,806,897,488
Off-statement of financial position						
Letters of credit secured by cash collateral		**57,413,609**	22,029,110	**0%**	**-**	-
Documentary credits not secured by cash		**20,144,697**	25,131,173	**20%**	**4,028,939**	5,026,235
Transaction related (performance bonds) secured		**10,083,099**	8,031,731	**0%**	**-**	-
Transaction related (performance bonds) not		**332,716,717**	244,992,514	**50%**	**166,358,359**	122,496,257
Direct credit substitutes (guarantees and		**280,584,479**	205,966,327	**100%**	**280,584,479**	205,966,327
Unused formal facilities		**452,923,830**	459,320,133	**50%**	**226,461,915**	229,660,067
Counter Party Credit Risk						
Government of Uganda and Bank of Uganda		**-**	-	**0%**	**-**	-
Rated AAA to AA (-) and banks in Uganda		**62,462,171**	166,048,774	**20%**	**12,492,434**	33,209,755
Rated A (+) to A (-)		**88,611,862**	212,156,051	**50%**	**44,305,931**	106,078,026
Rated A (-) and non-rated		**65,906,790**	99,262,637	**100%**	**65,906,790**	99,262,637
Market risk						
Interest Rate Risk Trading Book Charge		**2,665,853**	6,390,037	**8.33**	**22,206,558**	53,229,008
Foreign Exchange Risk Charge		**5,308,382**	3,199,098	**8.33**	**44,218,822**	26,648,486
Total risk-weighted assets					**2,547,861,640**	2,688,474,286

Capital adequacy continued

***Loans and advances to customers for regulatory capital purposes (FIA)**

	2023 Ushs '000	2022 Ushs '000
Gross loans and advances to customers	1,134,177,923	1,202,633,041
Specific Provisions	(14,471,820)	(3,175,702)
Interest in Suspense	(1,926,815)	(1,253,718)
Net loans and advances to customers	1,117,779,288	1,198,203,621

Reconciliation of loans and advances to customers between IFRS & FIA

	2023 Ushs '000	2022 Ushs '000
Gross loans and advances to customers IFRS	1,204,210,812	1,303,325,172
Written off Loans per FIA	(70,032,889)	(100,692,131)
Gross loans and advances to customers (FIA)	1,134,177,923	1,202,633,041

32. Financial performance by client segment

	2023			
	Corporate, Commercial & Institutional Banking Ushs '000	Consumer Private & Business Banking Ushs '000	Central & other items (segment) Ushs '000	Total Ushs '000
Operating income	149,912,905	120,668,390	110,429,058	381,010,353
External	149,912,905	120,668,390	110,429,058	381,010,353
Operating expenses	(49,610,839)	(63,304,484)	(127,527,353)	(240,442,677)
Operating profit/(loss) before impairment losses and taxation	100,302,066	57,363,906	(17,098,295)	140,567,676
Credit impairment	(43,968,547)	(3,473,265)	14,873,548	(32,568,264)
Other impairment	-	-	(5,992)	(5,992)
Statutory profit/(loss) before taxation	56,333,519	53,890,641	(2,230,739)	107,993,420
Total assets	1,106,794,149	386,125,901	2,161,720,122	3,654,640,171
Of which: loans and advances to customers	743,942,027	386,019,873	-	1,129,961,900
Total liabilities	1,936,014,377	1,004,312,027	5,555,777	2,945,882,181
Of which: customer accounts	1,583,242,159	955,591,549	5,596,190	2,544,429,898

	2022			
	Corporate, Commercial & Institutional Banking Ushs '000	Consumer Private & Business Banking Ushs '000	Central & other items (segment) Ushs '000	Total Ushs '000
Operating income	155,469,914	109,776,561	111,962,389	377,208,864
External	155,469,914	109,776,561	111,962,389	377,208,864
Operating expenses	(42,123,963)	(54,350,998)	(102,731,090)	(199,206,051)
Operating profit/(loss) before impairment losses and taxation	113,345,951	55,425,563	9,231,298	178,002,813
Credit impairment	(75,804,887)	(7,262,950)	(8,446,687)	(91,514,524)
Statutory profit/(loss) before taxation	37,541,064	48,162,613	784,611	86,488,289
Total assets	1,154,227,774	388,163,512	2,251,151,859	3,793,543,146
Of which: loans and advances to customers	840,096,680	382,029,628	-	1,222,126,308
Total liabilities	1,948,424,177	962,044,542	133,826,324	3,044,295,043
Of which: customer accounts	1,553,675,064	926,805,727	38,359,957	2,518,840,748

32. Financial performance by client segment continued

Additional segmental information

	2023			
	Corporate, Commercial & Institutional Banking	Consumer Private & Business Banking	Central & other items (segment)	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Net interest income	**68,988,039**	**78,763,075**	**106,402,496**	**254,153,610**
Net fees and commission income	**18,719,179**	**24,761,314**	**186,975**	**43,667,468**
Net trading and other income	**62,205,686**	**17,144,001**	**3,839,588**	**83,189,275**
Operating income	**149,912,904**	**120,668,390**	**110,429,059**	**381,010,353**

	2022			
	Corporate, Commercial & Institutional Banking	Consumer Private & Business Banking	Central & other items (segment)	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Net interest income	65,190,555	65,775,302	104,685,447	235,651,304
Net fees and commission income	19,611,222	28,156,419	419,407	48,187,048
Net trading and other income	70,668,137	15,844,840	6,857,535	9,337,0512
Operating income	155,469,914	109,776,561	111,962,389	377,208,864

33. Country of incorporation and registered office

The Bank is incorporated in the Republic of Uganda under the Companies Act and is domiciled in Uganda. It is licensed under the Financial Institutions Act 2004 to conduct banking business. The address of its registered office is:

Plot 5, Speke Road
P O Box 7111
Kampala
Uganda

34. Ultimate holding company

The ultimate holding Bank is Standard Chartered Plc, a Bank registered in the United Kingdom.

35. Presentation currency

These financial statements are presented in thousands of Uganda Shillings.

36. Events after the reporting date

There are no events after the reporting date that require disclosure or adjustments to the financial statements as at the date of this report.