FINANCE trust BANK

Putting Women First

EMBRACE MORE, ACHIEVE MORE

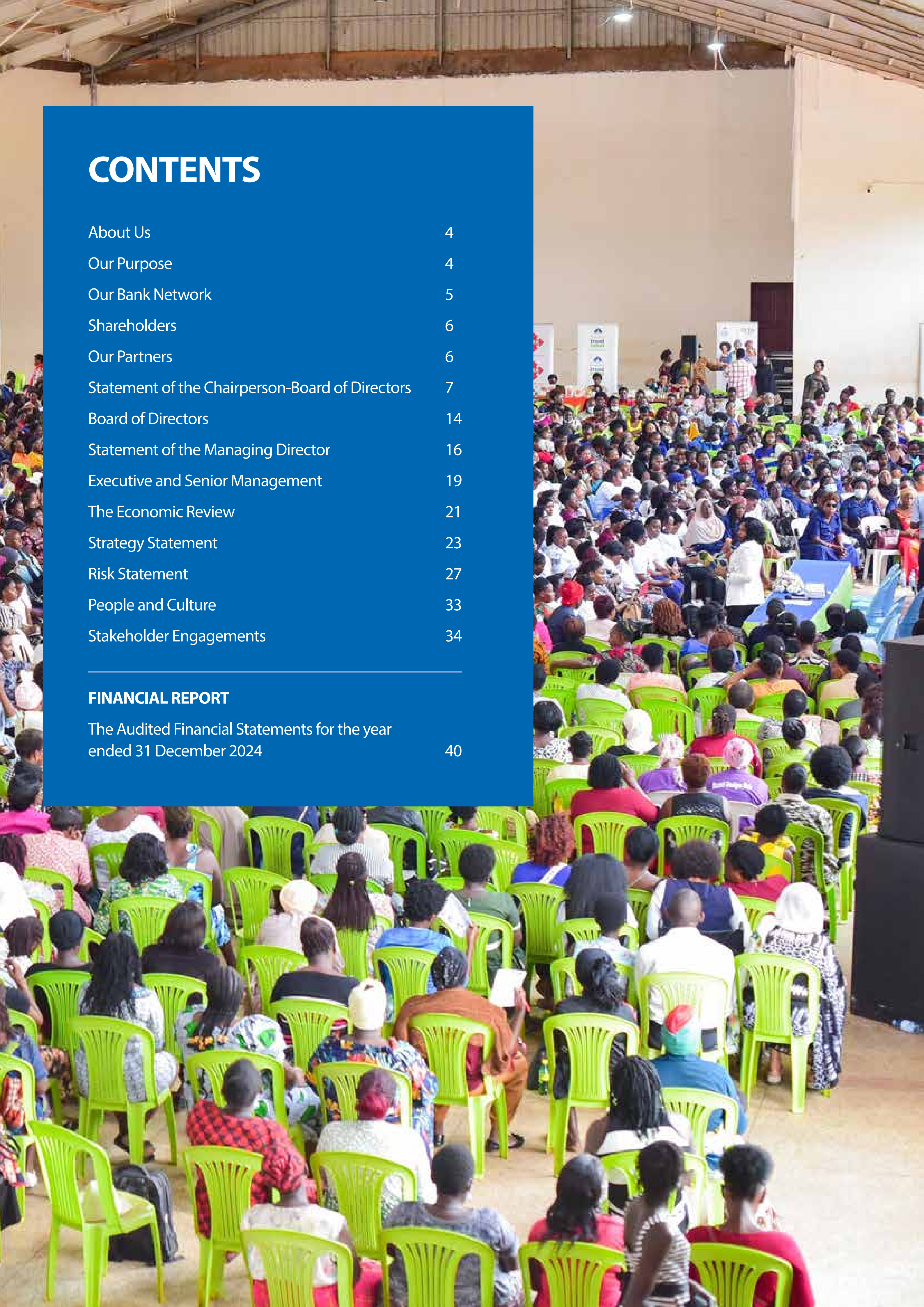
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

CONTENTS

About Us	4
Our Purpose	4
Our Bank Network	5
Shareholders	6
Our Partners	6
Statement of the Chairperson-Board of Directors	7
Board of Directors	14
Statement of the Managing Director	16
Executive and Senior Management	19
The Economic Review	21
Strategy Statement	23
Risk Statement	27
People and Culture	33
Stakeholder Engagements	34

FINANCIAL REPORT

The Audited Financial Statements for the year ended 31 December 2024	40



WHO WE ARE

Finance Trust Bank Limited (FTB) is a financial institution that is licensed and regulated by Bank of Uganda under license number A1.028. The Bank has a large branch network of thirty four (34) branches serving over 500,000 customers, countrywide. The bank was established in 1984 first as Uganda Women Finance Credit Trust and in 2004 transformed into an MDI. In 2013 it was granted the full commercial banking license to offer a full spectrum of banking services including provision of various products and services namely deposits, loans, money transfer services, and forex.

In addition, the bank has several other service channels including ATM machines, Mobile Banking, Internet Banking platforms and Agent Banking services through the shared Agent platform.

Our purpose

Finance Trust Bank is rooted in purpose, to provide sustainable financial solutions to her clients, especially women with the aim of transforming household and economic livelihoods while at the same time strengthening its position in the local industry to achieve profitability and sustainability.

Who we serve

Our core client lies in the lower pyramid of the economic strata, especially women who are emerging rural entrepreneurs and enterprising urbanites. We also serve individuals as well as saving groups.

Our Vision

To be the Bank of Choice

Our Mission

To efficiently deliver a range of highly competitive financial services to our customers especially women.

OUR BANKING
NETWORK AND CONTACTS

Arua Branch
Plot 2 Duka Rd
0740 002 663

Busia Branch
Plot 69, Custom Road.
0740 002 668

Corporate Branch
Plot 12B, Twed Plaza, Lumumba Avenue
0740 469 237

Central Branch
Plot 1 Bombo Road, Sure House
0740 002 669

Entebbe Branch
Plot 29, Kampala Road -Entebbe
0740 002 673

Gomba Branch
Block 212, Plot 117 Kanoni Town Council
0740 002 664

Iganga Branch
Plot 58A, Main Street.
0740 002 677

Ishaka Branch
Rukungiri Road,
0740 002 679

Jinja Branch
Plot 83 West Main street
0740 002 696

Kabarole Branch
Plot 7, Rukidi III Street
0740 002 698

Kalangala Branch
Plot 52/3 Main Road Kalangala
0740 002 700

Kalerwe Branch
Plot 641 Kibuga Mengo Kalerwe
0740 002 702

Kampala Road Branch
Plot 4 Kampala Road
0740 002 704

Kamuli Branch
Plot 1 Kitimbo Road
0740 002 705

Kamwenge Branch
Plot 10, Station Road
0740 002 706

Kapchorwa Branch
Plot 24, Tingey Road
0740 002 727

Katwe Branch
Plot 121 & 115,Block 6
0740 002 707

Kayunga Branch
Kayunga Town
0740 002 680

Kitintale Branch
Plot 1315 block 243 Kitintale T/C
0740 002 778

Kumi Branch
Plot 26A, Ngora Road
0740 002 681

Lugazi Branch
Plot 65 Block 316 Kla-Jinja Road
0740 002 684

Lwengo Branch
Mbirizzi Trading centre
0740 002 773

Masaka Branch
Plot 7 Edward Avenue Masaka Town,
0740 002 687

Mbale Branch
Plot 23 Republic Street.
0740 002 688

Mbarara Branch
Plot 31 High Street Mbarara.
0740 002 708

Mukono Branch
Plot 35, Kampala-Jinja Road
0740 002 709

Nakivubo Branch
Plot 30-32 Mackay Road, Kampala
0740 002 710

Nansana Branch
Plot 6003 Block 203
0740 002 735

Nateete Branch
Plot 1246 & 974
0740 002 711

Ntungamo Branch
Plot 18, Old Kabale Road,
0740 002 712

Owino Branch
Plot 769 (Kafumbe Mukasa Rd)
0740 002 713

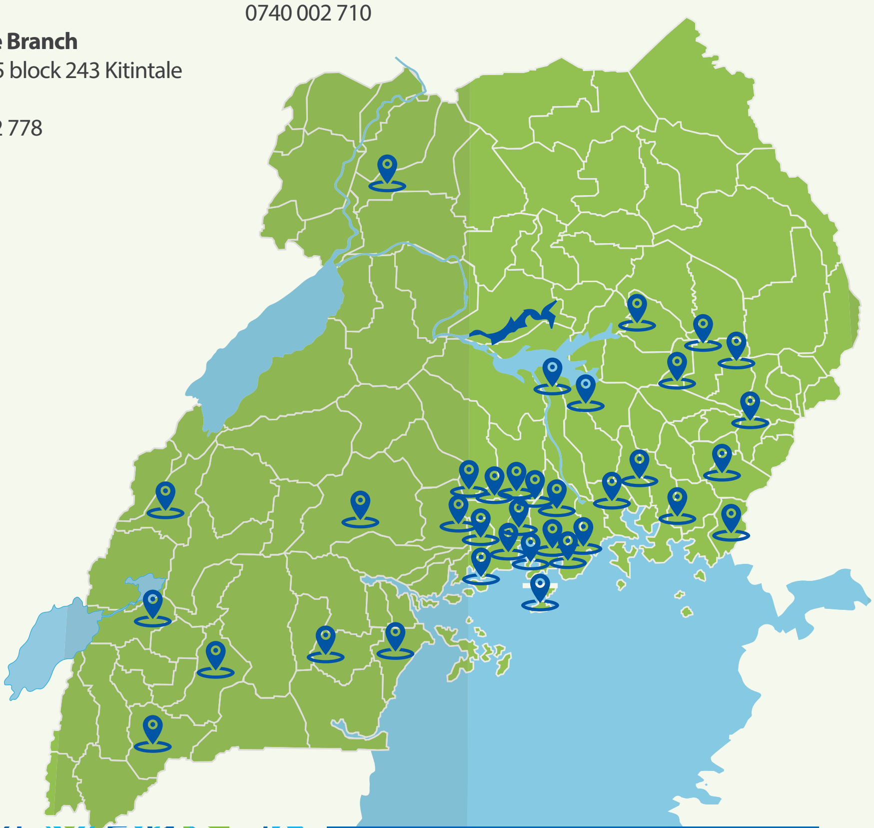
Pallisa Branch
Plot 11, Gogonyo Road
0740 002 693

Soroti Branch
Plot 49 Gweri road.
0740 002 691

Tororo Branch
Plot 12B, Bazaar Street
0740 002 690

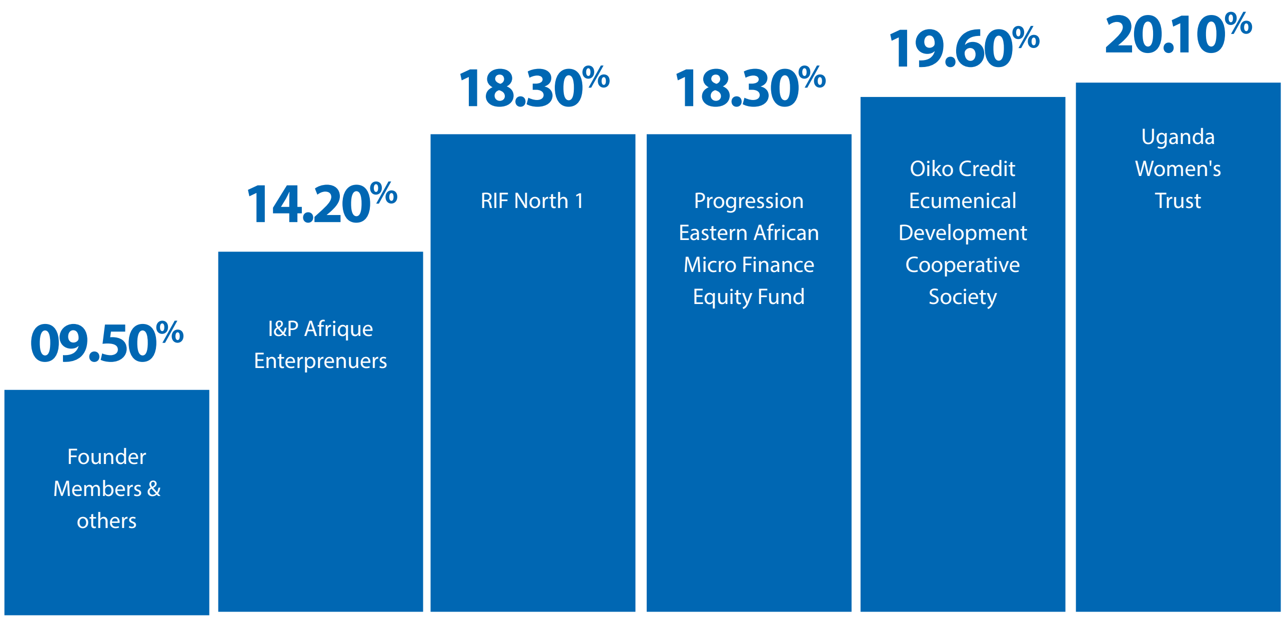
OUR FOOTPRINT
ACROSS UGANDA

The bank has 34 operational branches with 11 Automated Teller Machines and over 800 Agent Banking partners. The branches are clustered into 5 regional clusters namely; Central A, Central B, Mid East, Far East and Western Region.



SHAREHOLDERS

Finance Trust Bank has a varied ownership structure comprising of international and local shareholding as shown below:



OUR PARTNERS

The bank continues to underscore the importance of collaborative partnerships with the entities below in driving and shaping its sustainable business strategies.

Water.org: a collaboration to support improvement in access to clean water and Sanitation for local communities through financing to individuals and commercial businesses.

Uganda Development Bank : a partnership to facilitate on-lending to agriculture and agro-processing activities.

East African Development Bank (EADB): an alliance to support lending to small & medium enterprises in sectors such as organic agriculture, forestry, apiculture, fisheries, wildlife, eco-tourism, and renewable energy.

Symbiotics: cooperation towards Lending to micro, small and medium enterprises plus middle-income households.

GROW Loan: a partnership to finance women-owned businesses through affordable credit, under the World Bank–funded GROW Project.

Agri-Business Initiative (ABI): a collaboration to provide financing to agribusinesses and technology initiatives.

Aceli: a partnership enabling the bank to mine more business in the Agriculture value chain particularly SME.

Uganda Energy Credit Capitalization Company (UECCC): an arrangement to facilitate funding towards on-grid electricity connections.

ArmWright Investments: a partnership to facilitate access to asset acquisition particularly land and housing in urban areas.

STATEMENT OF THE CHAIRPERSON-BOARD OF DIRECTORS

2024 marked a strong recovery for the Bank, with significant growth across all key indicators. This performance affirms the impact of our strategic investments in systems, structure, and people. We remain focused on expanding access to inclusive, technology-driven financial services, with women at the heart of our mission. The pending equity investment by Access Bank Plc positions us for even greater impact ahead.

Dr. Evelyn Kigozi Kahiigi
Board Chairperson

Board Chairperson Statement 2024

I am delighted to present Finance Trust Bank's exceptional performance for 2024. This year's performance is a demonstration that a disciplined approach to strategic execution works. It also confirms that our prior strategic investment in the Bank's MIS upgrade, structure review, and alignment of the team and operational efficiency models that the Bank has put in place over the years were all key strategic endeavors that have now started paying off.

Performance

Over the past 12 months, the Bank has registered growth in all key performance areas. We registered tremendous performance in Total assets with the growth of 18% from Shs465bn to shs551bn, Net loans and advances increasing by 22% from shs291bn to shs356bn, Customer deposits grew by 23% from shs276.7bn to shs341bn, Shareholders' equity grew by 15% from shs68bn to shs78bn and after-tax profits taking a big leap of 178% from shs3.7bn to Shs10.3bn. This position indicates a recovery performance from a dip that we registered in the previous year due to the key strategic activities implemented in 2023. These activities slowed our momentum for growth. These included the system upgrade, structure review and the corresponding staff alignment processes, and culture realignment, among other aspects that had to be inevitably executed.

Brand Loyalty

Our customers have demonstrated their unwavering trust in the FTB brand over the past year, particularly last year. This allowed the Bank to grow within its target segment and make significant strides in the corporate space, with structures sufficient to offer more banking services to corporate and institutional customers.

The Anticipated Equity Investment

Although the Bank performed well and is inevitably set to perform even better, it is still in the process of concluding the equity investment transaction with Access Bank Plc. During the year, the Central Bank of Nigeria (CBN) granted Access Bank Plc a conditional no-objection to invest in FTB. The conditions included the divestiture of its investments in four countries. Access Bank Plc has since started the process of closing on the conditions issued by CBN.

Bank of Uganda granted FTB an extension and a deadline of 30th June 2025 to close the transaction. As soon as Access Bank Plc completes the divesture, the funds required to recapitalize the Bank shall be moved to FTB to fuel capital compliance. We are hopeful that the process will close by 30th June 2025 and thereby unveil the exciting opportunities we already envisage through this partnership.

Strategic Focus

During this period, we continued to keep our eyes on the key strategic areas of focus that we are certain will yield a more resilient, relevant, and progressive bank. We are cognizant of the dire need for the Bank to extend services to more geographic areas within Uganda to achieve its objectives, and this expansion is key to the agenda and will be seen as soon as capital compliance is achieved. In the meantime, we are keen to continue our unique proposition of being the most customer-centric Bank in the market, creating value, and responding to our customers' needs. Our focus is directed towards meeting the demands of service extension by leveraging technology to achieve financial inclusion, managing emerging risks, especially in cyberspace, creating efficiency of operations, aiding product and service development, and creating business linkages. To this extent, the Bank continued its quest in the digital banking space and will see this manifest more as a strategic hinge pin for the Bank's future. Our focus on women isn't only driven by the founder's vision but is well aligned with the national and global development goals aimed towards women's economic and social transformation. The women's agenda is now a key government priority with its partners under the Public Private Partnerships and other international partners, justifying the need for the Bank to expound its strategic focus as enshrined in its tagline of Putting Women First. To this effect, last year, we saw the Bank maxing out its partnership under the GROW project and exhibited the enormous need for women to access credit; we look forward to more such partnerships and opportunities to achieve our women's development agenda.

Sustainability

The banks' focus on more sustainable banking is properly rooted in their purpose: "to provide sustainable financial solutions to her clients, especially women, with the aim of transforming households." To this end, we continue to create opportunities that go beyond the banking business.

Last year, we committed to supporting women's football for five years with varied objectives, but the key to them is empowering the girl child through sport. We also continued our flagship program of empowering communities with financial literacy and money management skills through our financial literacy program. We further continued our signature partnership with the Nnabagereka Development Foundation, which has complemented the Queen of Buganda's efforts to implant key traditional and social values in the youth in Buganda and Uganda at large through the Ekisaakaate program (annual youth camp).

Our resilience to support social and economic transformation is deeply rooted in our vision, day-to-day operations, and strategic decision-making priorities as we continue to focus on the bottom of the pyramid and create an impact beyond our banking mandate.

Salutations

We acknowledge the efforts of our Management team and all the staff in championing the founder's vision and bringing it to light each day in the Bank's operations. For this, we are greatly indebted.

To the Directors, thank you for your exceptional leadership and unwavering support. Your strategic guidance, dedication, commitment and sound governance have empowered our management team to achieve outstanding results.

Finally, on behalf of the Board of Directors, I want to thank the Central Bank for its guidance and patience as we strive to ensure capital compliance. We look forward to a promising future and guarantee value for all stakeholders.

Dr. Evelyn Kigozi Kahiigi
Board Chairperson

BOARD OF DIRECTORS

Dr. Evelyn Kigozi Kahiigi
Board Chairperson

Dr. Evelyn Kigozi Kahiigi is currently a Lecturer and Head of Department of Information Technology at the School of Computing and Informatics Technology, Makerere University. She started her career at Nile Bank where she worked in the Operations and Computer Departments. Evelyn then moved to the Directorate for ICT Support, Makerere University where she was part of the pioneering team in setting up ICT infrastructure and systems with specific engagement in developing and implementing the ICT Policy, Strategy and Master Plan.

Evelyn is an Adjunct Faculty at Strathmore University Business School, Board Chairman, Weerinde Insurance Services Ltd, Board Member, Greenhill Schools Virtual Learning Ltd. She is a youth mentor and an advocate for academic and social excellence. Her interests are inclined toward ICT4D in the field of E-learning, Entrepreneurship and Health Informatics to support, enhance and sustain a better quality of life for the underprivileged and marginalized groups. Evelyn holds a PhD in Computer and System Sciences from Stockholm University, Sweden.

Mr. Tor. G. Gull
Director

Mr Tor G. Gull served as the Managing Director of Oikocredit International in the Netherlands from July 2001 to July 2011.

Tor is from Finland where he before joining Oikocredit worked as Senior Vice President and Head of Export and Project Finance for one of the largest commercial Banks in Finland. During that time he was also the Chief Representative for the Bank in South East Asia and China for three years, based in Hong Kong.

From 1978 to 1982 Tor worked with the Nordic Project for Cooperative Development in Tanzania and Kenya developing and supporting credit unions, and small-scale businesses in various parts of the countries. His experience also includes financial management positions in the Pulp and Paper Industry in Finland. Since his retirement from Oikocredit Tor has continued his involvement in the financial sector through directorships and memberships in banks, investment funds and institutions active in impact investing, microfinance and other development projects.

His professional expertise is complemented by his academic distinctions including a Masters in Accounting from the Swedish School of Economics in Helsinki School of Economics/University of South Carolina.

Mr. Loïc De Cannière
Director

Loïc De Cannière joined Incofin Investment Management as CEO in 2001. He recently became the Chair of the company's Supervisory Board.

He successfully grew the fund management company into one of the larger microfinance and impact investment fund management companies, with a strong focus on balancing financial and social returns. Today, Incofin IM manages combined total assets of more than 1 bn USD. Incofin IM manages funds focusing on investments in agri-focussed financial institutions (Rural Impulse Fund II, agRIF, Incofin cvso) an funds investing in the agri value chain and agri-food companies (India Progress Fund, Fairtrade Access Fund). Incofin advises a large German retail impact fund "Invest in Visions".

Incofin IM's investor base comprises large private institutional investors, development finance institutions. Incofin IM has a team more than 85 dedicated professionals and has offices in Belgium (Antwerp), Colombia (Bogota), India (Chennai), Kenya (Nairobi) and Cambodia (Phnom Penh). Loïc De Cannière is also Chair of the Board of Directors of the Social Perfomance Task Force (SPTF).

Before he joined Incofin, Loïc De Cannière was responsible for structured finance at the DEME Group, where he structured large port and environmental projects in Tunisia, Ghana, Nigeria, Qatar, India, Bangladesh and Taiwan. Loïc De Cannière studied economics and philosophy at the Universities of Louvain (Belgium) and Munich (Germany).

Ms. Mary Oduka Ochan
Director

Mary Oduka Ochan holds a Master's degree in Development Studies from the University College in Dublin, and a Bachelor's degree in Commerce (Marketing) from Makerere University Kampala. She has served with Irish Aid Program as Senior HIV & AIDS Specialist and as Senior Advisor in the Embassy of Ireland Uganda/Irish Aid. She has served as Country Director of Agency for Personal Services Overseas (APSO) (Irish State Agency), in Uganda and Country Director in Kenya for the same Agency.

She served as Director / Consultant Executive for Africa Development Assistance (ADA) (an East African regional NGO) ,as an Assistant Secretary for Women Affairs in Uganda Peoples' Congress Secretariat from and as Marketing Officer for Uganda Airlines Corporation (Tours and Charters). Mary has provided various consultancy services over the years.

Ms. Lydia Koros
Director

Lydia Koros is a co-founder and Managing Partner at Progression Capital Africa Ltd (PCAL). Prior to setting up PCAL she managed the establishment of a niche MFI focusing on the agriculture value chain in rural Kenya. Prior to this Lydia served as the Managing Director of Faulu Kenya Ltd, a Deposit Taking Microfinance institution, from August '05 until March 10 under her leadership, Faulu became the first MFI to be licensed by the Central Bank of Kenya as a DTM.

She was instrumental in spearheading the M-Pesa mobile money transfer system pilot in Faulu Kenya and its utilization by Kenyan MFIs. She has served as the Chairperson of the Association of MFIs in Kenya, chaired the task force set up by AMFI to lobby for the passing of the Micro Finance Act and Regulations for Deposit-Taking MFIs as law. She successfully organized and chaired the Africa and Middle East Microcredit Summit held in Nairobi in April'10. Prior to entering the MFI sector, Lydia worked in Kenya Commercial Bank for over 18yrs in various capacities in the corporate and retail divisions of the Bank, including Head of Corporate Banking.

Mr. Jean-Louis de Montesquiou
Director

Jean-Louis'career started at Banque de L'Union Européenne in Paris, then with JP Morgan in New York, Paris and London, where he co-headed the Department of International Loan Syndications. He then ran the corporate finance and banking unit of Union Bank of Switzerland in France. In 1998 he set up the French branch of UBS, which he built up to a size of 400 employees. From 2004 to 2008, as Vice-Chairman of UBS Wealth Management, he ran a program of acquisitions of European Private Banks before being involved as senior adviser in the UBS Philanthropy Department.

He obtained a Master in International and European Law and a Master in History from Paris Sorbonne University in 1975. He also holds several directorships in financial institutions,including Fides Bank Namibia, and is a board member of several charitable institutions, including EORTC and the American Library in Paris. He is also a contributor to a few magazines as well as a town councilor in Mauvezin, France.

CPA Dr. Albert Richards Otete
Director

Albert Otete is a member of the Professional Accountancy Organizations in Uganda, Kenya, Tanzania and Rwanda. He holds a PhD in Business Administration (Swiss School of Management), a Masters in Business Administration (ESAMI Business School) and a Bachelor's degree in Commerce (Makerere University, Kampala). He is a member of ISACA International, a Certified Information Systems Auditor (CISA), a Certified Information Security Manager (CISM) and is Certified in the Governance of Enterprise IT (CGEIT). He is an Insolvency Practitioner licenced by the Uganda Registration Services Bureau (URSB). He joined international auditing firm PwC Uganda in 1992 and gained practical accountancy practice experience for 10 years. Thereafter, he was the Head of Audit at Stanbic Bank Uganda Limited for 12 years. He is now a the Techical/Research Partner in his own accountancy practice; J.Samuel Richards & Associates, a firm licenced and regulated by the Institute of Certified Public Accountants of Uganda (ICPAU). He has written in accountancy journals/magazines for the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Public Accountants of Rwanda (iCPAR) and ICPAU as well as educative articles for the top newspapers in Uganda. He has been a Member of the ICPAU Professional Standards Committee (2017-2018), the Education & Research Committee (2019-2020) and now the Finance, Planning and Development Committee (2021 to-date).

Dr. Otete has been a Board Member of Finance Trust Bank since 2016 and was the Chairperson, Board Audit Committee and a Member of the Board Risk Committee. He is also a Board Member at NITA Uganda, a Board Advisor at NSSF Uganda and Uganda Development Bank Limited.

Ms. Grace Namulinda Aliakai
Director

Grace Aliakai received a Masters degree in Electronics & Electrical Engineering from Loughborough University in 1998. Mrs. Aliakai worked for a few months at Computer Point and then moved on to MTN Uganda in 1999 where she worked for nearly 8 years. At MTN she served in a number of positions including Principal Planning Engineer - Strategic Technologies, where she was in charge of the strategic planning, setup and maintenance of international roaming and interconnection of local and international networks.

Mrs. Aliakai joined Warid Telecom in 2007 where she served as Manager Core Network Strategic Planning before becoming the Head of Carrier Business which position she held to 2010. Mrs. Aliakai also worked at ATX Technology, an entrepreneurial business with the main focus on Finance.

Mrs. Aliakai is a director at Konserve Advisory Sevices Ltd and at a Ugandan NGO, Mentoring and Empowerment Program for young Women (MEMPROW). She is also a long standing member of the Uganda Women's Trust..

Mr. Robert Kirunda
Director

Robert Kirunda holds a Masters in Law (LL.M) International Legal Studies Program (ILSP) from the American University Washington College of Law, a Masters in Law (LL.M) in international Trade and Investment Law from University of the Western Cape, South Africa, a Post graduate in Legal Practice(Bar Course), Bachelors of Laws . Robert is the founding partner at Kirunda & Wasike Advocates where he works since December 2012.

He lectures at Makerere University Kampala and has worked with JN Kirkland and Associates (Law firm), Makerere University Business School department of law and Shonubi, Musoke & Co. Advocates. He served in a capacity of a Legal Vice presidency, World Bank Group Washington D.C Intern from January to April 2008. Robert is a member of the following professional bodies- Uganda Law Society, East African Law Society, Uganda Christian Lawyers Fraternity and has authored several publications.

Ms. Christine Kawasiima
Director

Christine Kawasiima has over two decades of experience as an accountant and auditor. Her career has taken her through esteemed organizations like Ernst & Young, and she presently holds the position of Chief Internal Auditor at Uganda Management Institute. Specializing in areas such as risk assessment, audit planning, and the ongoing enhancement of internal systems, Christine brings a wealth of expertise to her role.

Christine's board experience is extensive, having served as an independent non-executive director in notable companies like CIC Africa Life Assurance Limited and Vision Fund Uganda. At CIC Africa Life Assurance Ltd, she holds the position of Chair of the Audit Committee, while at Vision Fund Uganda, she serves as the Vice Chairperson of the Board and Chair of the Board Audit and Risk Committee. Additionally, Christine has contributed her expertise to Tropical Bank Ltd, where she also chaired the Risk Committee, and to the CPA SACCO, where she held the role of Vice Chairperson of the Board.

Christine holds a Master's in Business Administration (Finance), a Bachelors in Economics, a Digital Finance Practitioner certification, and is a member of several professional associations, including the Association of Chartered Certified Accountants (ACCA), the Institute of Internal Auditors, ICPAU, The League of East African Directors and the Institute of Corporate Governance (Uganda). Her areas of interest include financial services, not-for-profit, and public finance.

Mr. Gervase Ndyanabo
Director

Gervase Ndyanabo is a Certified Public Accountant and a Certified Internal Auditor. He started his career at Coopers and Lybrand, Chartered Accountants, Kampala before joining New Vision Printing and Publishing Co. Ltd where he has served as Chief Internal Auditor, Chief Finance Officer, and currently as Deputy Managing Director and Company Secretary.

Gervase has served on several Boards including; member of the Board of Directors of the Global Institute of Internal Auditors, President of The Institute of Internal Auditors (IIA), Uganda, and member and Vice Chairman of Council of Uganda Martyrs University. He is currently the Chairman Board of Trustees of IIA Uganda, a member of the Disciplinary Committee of the Institute of Certified Public Accountants of Uganda, and President of Uganda National Catholic Council of Lay Apostolate (UNCCLA).

Gervase is an active member of Lions Clubs International and is currently the Global Leadership Team (GLT) Coordinator for Uganda.

Gervase holds a Bachelor of Commerce (Accounting) degree of Makerere University, Kampala and an MBA from Edinburgh Business School, UK.

Mr. Jeremy Hajdenberg
Alternate Director

Jérémy Hajdenberg is co-CEO at Investisseurs & Partenaires (I&P), the management company of several investment funds supporting small- and medium-sized companies in Sub-Saharan Africa and generating social and environmental impact since 2002. In 2021, the teams of I&P and its partner funds include 120 professionals prepared to fund around 40 African start-ups and SMEs per year, from seed stage to growth stage.

He graduated from HEC Paris Business School and holds a Master's Degree in Development Economics from the Paris School of Economics. He is a co-author of the books Le guide de la Microfinance (2009) and Entreprenante Afrique (2016), the latter one with J.M. Severino, and has been a member of the Presidential Advisory Council for Africa.

Mr. David Senoga
Alternate Director

David Ssenoga has 33 years' experience in banking, Microfinance, auditing and financial reporting. He holds a Master's of Science Degree in Finance and Accounting, and a Bachelor's Degree in Commerce, of Makerere University- Kampala. He holds a CPA and is an active member of ICPA(U). He also serves on Makerere University Retirement Benefits Scheme Trustee Board as the Chairperson of the Scheme's Audit Committee. Currently he is a practitioner at SDS & Company Certified Public Accountant.

Previously he practiced at partner level at Kisaka & Company Certified Public Accountants for 10 years.

Ms. Annet Nakawunde
Managing Director

The Managing Director of Finance Trust Bank, Mrs. Annet Nakawunde is a banker by profession with over 15 years' practical experience in Banking and Microfinance. Previously she has worked in various capacities, at Finance Trust Bank as Head of Operations, and Operations & Compliance Manager. Prior to Finance Trust Bank, Annet held various key positions at Pride Micro nance and Nile Bank Ltd.

Ms. Nakawunde holds a Masters in Business Administration majoring in Finance, a postgraduate diploma in Financial management and an honors degree in BA (Arts), She has also attended a number of trainings including Harvard Business School's Strategic Leadership in inclusive Finance, the Advanced Leadership training in Wharton Business School, University of Pennsylvania in USA, Coaching Program for Mission, Leadership and Performance By CREATIVE METIER, Oxford, England, Women in leadership by WOMEN'S WORLD BANKING CENTER FOR MICROFINANCE LEADERSHIP, New York where she got the Financial Woman's Association's Women in Leadership Award for 2008, Balance score card training and Basic banking by Institute of Bankers.

She is passionate about women and youth empowerment, as well as ensuring best practice in banking and micro nance and creating value for customers. She is result oriented and an excellent team player with strong leadership qualities

Ms. Annette Kiggundu
Executive Director

Annette Kiggundu is the Executive Director of Finance Trust Bank. She joined the Bank in May 2016 as Head of Treasury with over 13 years of progressive banking experience in the fields of treasury and financial management, International business, Risk, Compliance and Operations.

Previously, she worked with UBA Uganda and Centenary bank.

She is a chartered accountant with the Association of Chartered Certified Accountants (UK),holds a Bachelor`s of Commerce degree (Accounting) and Master's Degree in Business Administration from University of South Wales(Wales). Annette also holds a ACI Dealing certificate and is a member of ACI Uganda Dealers Association.

Ms. Patricia Kemirembe Katende
Company Secretary / Head Legal

Patricia Kemirembe Katende has over 15 years of professional experience in law and in-house legal counsel services. She is a Chartered Corporation Secretary, a member of the Institute of Chartered Secretaries and Administrators (ICSA) UK, a holder of an honors Bachelor's Degree in Law from Makerere University and a post graduate diploma in legal practice from the Law Development Centre, Kampala and holds an MBA from the University of South Wales.

Patricia is an enrolled Advocate of the High court and all courts subordinate to it. She holds a valid Law practicing certificate. She is a member of the following professional bodies; The East African Law Society, The Uganda Law Society, The Chartered Governance formerly known as ICSA. She has also attended various professional trainings in continuous legal profession development and in Corporate Governance.

Patricia has worked with Uganda Microfinance Limited and Centenary Bank at senior levels. She is a good team player and passionate about law and banking.

DEBIT CARD

AGENT BANKING

MOBILE BANKING

UNSECURED LOANS

INTERNET BANKING

Embrace more from your salary.
Achieve more with a Trust Salary Account.

The Trust Salary Account is built for those ready to do more with their income. Whether you're permanently employed, on contract, in government, just starting out, freelancing, or working abroad — this account gives you the freedom to manage your finances your way.

Embrace convenience with this current account available in both UGX and USD, accessible at all our branches.

Open your Trust Salary Account today — and unlock exclusive benefits that help you achieve more.

STATEMENT OF THE MANAGING DIRECTOR

The Bank registered 22% YoY growth in net loans and advances from Shs291bn in 2023 to Shs356bn in 2024, driven by strong credit demand. Total Assets grew by 18%, from Shs465bn to Shs551bn, reflecting our continued business momentum and customer trust.

Annet Nakawunde
Managing Director

I am delighted to present the Bank's performance for the year 2024. This performance is a true manifestation of the Bank's resilience to market shocks and a true reflection of brand affinity. It is also a manifestation of customer support, staff commitment and capacity to execute the Bank's business plan and growth strategies. It is no doubt a demonstration of our zeal for sound risk management practices, culture adherence, teamwork, and leveraging the power of technology to offer the best customer experience to our customers.

Business Growth: During the year we executed strategies aimed at accelerating business growth that included adoption of a more aggressive business model with more focus on creating value for customers through a segment-based approach. This model also leveraged key partnerships to drive and improve the growth of assets and liabilities. Our strategic partnerships with MTN Uganda, FUFA, The GROW project and its funders, Nnabagereka development foundation (NDF), Zimba women, among others contributed immensely to sustaining business growth for the greater part of the year.

Customer Excellence: Critical to customer centricity was our focus to ensuring convenience for our customers while striving to adapt to the new ways of doing banking to contribute to the national and global financial inclusion agenda. In this regard, we have expanded our agent banking footprint to over 800 agents, targeting areas with significant customer concentration. We further enhanced our TrustMobile banking platform with new features that give a true differentiated banking experience to our customers.

Risk Management: Cognizant of the growing risks in the banking sector, we are proud to note that the Bank is well positioned to deal with these risks as they emerge. Through regular capacity building of staff, technological advancement and stakeholder management, we made sure that all mitigants are deployed to guarantee the safety of our customers' funds.

Partnerships

We believe in partnerships and synergies to better deal with challenges within the communities. We work with like-minded organizations and particularly 2024 saw us , partner with the Private Sector Foundation Uganda and the Ministry of Gender with support from the World Bank to launch the GROW Project that has enabled the extension of affordable credit to women. The call for affordable credit for women borrowers as a tool to spur economic empowerment to female business entrepreneurs was realized under the Grow project. The Bank managed to offer concessional loans to over 300 individual businesswomen customers with a portfolio of over Ugx.14 bn. With more low-cost funding under such projects, we are better positioned to achieve our founders' objective of realizing economic and social empowerment for women. We salute the project partners for this foresight.

TOTAL ASSETS

18%

Shs551bn

NET LOANS AND ADVANCES

22%

Shs356bn

CUSTOMER DEPOSITS

23%

Shs341bn

SHAREHOLDERS' EQUITY

15%

Shs78bn

AFTER-TAX PROFITS

178%

Shs10.3bn

We further extended our social and economic impact by partnering with FUFA to support the women football leagues. The 5-year commitment to sponsor the FUFA Women's Super League and the Elite League now code-named the Finance Trust Women Super League and the Finance Trust Elite League, will go a long way towards creating brand affinity for the Bank as well as helping to achieve our social and economic empowerment objectives. We acknowledge the immense contribution and potential that women's football has in talent development, creation of employment for the women and all stakeholders across the value chain and the general contribution to economic development of the country that can be realized through sport. With a contribution amounting to over Ugx 2bn in the period, we are certain that the Bank will improve lives through women's football in both social and economic aspects.

Environment, Social and Governance (ESG)

We too believe in the notion of sustainable banking, and therefore, FTB management undertook key steps towards the actualization of the ESG for sustainable banking through targeted activities that empower the society in which we operate.

The Bank continues to empower women with skills through financial literacy. We believe that social and economic empowerment comes with sound financial behavior and for that matter, the bank continued its annual flagship activity of empowering women with financial literacy to enable them manage their finances better. Through financial literacy workshops, trainings and online media engagements, the Bank continued its pursuit of enhancing skills for women both customer and non-customers that will eventually enable women entrepreneurs to dream big and be able to access bigger credit facilities to grow their businesses. This will spur social and economic empowerment. Important to note is that women are better positioned to make significant contribution to economic development of the country.

The Bank continued its annual partnership with the Mengo Blood Bank by mobilizing its customers and staff to participate in a massive blood donation event for the purpose of saving lives particularly for mothers.

As a result of the events and activities above, the Bank registered tremendous performance with Total assets registering growth of 18% from Shs465bn to shs551bn, Net loans and advances increasing by 22% from shs291bn to shs356bn, Customer deposits growing by 23% from shs276.7bn to shs341bn, Shareholders' equity heightening by 15% from shs68bn to shs78bn and after-tax profits exponentially grew by 178% from shs3.7bn to Shs10.3bn.

The Bank is still in the process of concluding the equity investment transaction with Access Bank Plc. During the year, the Central Bank of Nigeria (CBN) granted Access Bank Plc a conditional no-objection to invest in FTB. The conditions included the divesture of their investments in four countries. Access Bank Plc has since started the divesture process to close on the conditions issued by CBN.

Bank of Uganda granted FTB an extension and a deadline of 30th June 2025 to close the transaction. As soon as Access Bank Plc completes the divesture, the fund required to recapitalize the Bank shall be moved to FTB to fuel capital compliance. We are hopeful that the process will close by 30th June 2025.

We are certain that the future ahead of us is bright as the prospects that are manifesting will surely change the face of banking for the better.

We thank our Regulators for the supervisory oversight, our Board of Directors for good stewardship, the senior management team and all staff for their resilience and handwork that has enabled us yield such tremendous performance.

Finally, I thank our dear customers that have stayed with us and supported the Bank throughout the year. Your unwavering loyalty to FTB is much appreciated.

On behalf of Management and staff we commit to continued ensuring value for all stakeholders as we Put Women First.

EXECUTIVE & SENIOR MANAGEMENT TEAM

Annet Nakawunde
Managing Director

Annette Kiggundu
Executive Director

Patricia Kemirembe Katende
Company secretary / Head Legal

Sarah Gwokyalya
Chief of Operations

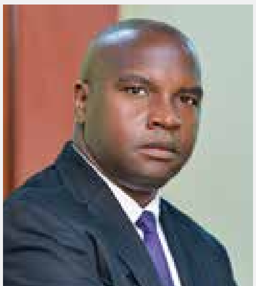
Percy Paul Lubega
Head of Marketing and Corporate Affairs

Andrew Agaba
Chief of Business

Francis Wasswa
Head of Strategy, Projects and Product Development

Lawrence Filly
Head Business Technology

Christine Namata
Head Finance



Fredrick Muyanja Musoke
Head Internal Audit

Juliet Ddungu Kakoma
Head Human Resource

Ali Lwanga
Head Credit

Martin Acegere
Head Risk

Rachael Nantongo
Head Banking Operations

Isa Mukasa Kikomeko
Head Treasury

Evelyn Bigabwa Komuhimbo
Ag. Head Compliance

Sabei Mwebesa
Head Recovery

Embrace Seamless Money Transfers.

Sending or receiving money is easier than ever with Finance Trust Bank's trusted money transfer services. Visit any branch and enjoy quick, secure, and convenient options with:

MoneyGram. WESTERN UNION WU

MACRO ECONOMIC REVIEW

During the year 2024, the global growth curve posted further improvements having closed at 3.2% relative to the 3.1% recorded in the year 2023 driven mainly by improvements in the performance of emerging markets and developing economies particularly India & China running at the forefront in this race. This result though still trending below the pre-pandemic average of 3.7% reflects further recovery from COVID disruptions. Global economic growth is expected to improve further to 3.3% in 2025 and to stabilize at this level for the year 2026. In the near term, global growth is expected to remain subdued due to several persistent challenges that include geopolitical tensions, constrained fiscal space, and lingering debt vulnerabilities in developing economies, all of which limit the ability of these nations to implement growth-stimulating policies.

Global inflation, though still above target, declined from 6.7% in 2023 to 5.8% in 2024 prompting cuts in policy rates in most advanced economies and is expected to moderate further to 4.2% in 2025 & 3.5% in 2026. This said, the inflation outlook is highly uncertain and varies significantly across different regions, influenced by diverse economic dynamics. One of the key factors shaping this trajectory is fiscal policy, with advanced economies (excluding the U.S.) anticipated to tighten fiscal measures during 2025-2026, while EMDEs are likely to maintain looser fiscal policies, potentially increasing inflationary risks. An additional concern is the inflationary impact of rising tariffs, which could worsen price pressures. Retaliatory trade measures, such as restrictions on intermediate goods, may disrupt supply chains, elevate production costs, and prolong global inflationary trends. Furthermore, renewed inflationary pressures could compel central banks to reconsider interest rate hikes, deepening the divergence in monetary policy across countries and strengthening the U.S. dollar. This shift could result in disrupted capital flows, exacerbate global economic imbalances, and cause financial strain in emerging markets.

GLOBAL GROWTH REBOUNDS, BUT STILL BELOW PRE-PANDEMIC NORMS

3.2% 2024

3.1% 2023

Global growth improved to 3.2% in 2024, edging up from 3.1% in 2023 — a sign of continued post-COVID recovery, led by emerging markets like India and China. Still, this pace remains below the pre-pandemic average of 3.7%.

At the local scene, Uganda's economy has demonstrated strong resilience and performance over the last decade, recording an average annual GDP growth rate of 5%. This robust growth is particularly noteworthy given the challenging macroeconomic environment, including the impacts of the COVID-19 pandemic, climate change shocks, and other external and domestic economic disruptions. The GDP growth for FY2024/25 is projected in the ranges of 6.0%-6.5% and then 7.0%-7.5% over the medium term. This positive outlook is supported by strategic government initiatives, increased foreign direct investment in the extractive industries, and the expected start of oil production in FY2025/26. These notwithstanding, significant uncertainty surrounds the growth forecast. On the downside, growth could be slower if escalating geopolitical risks or shifts in global trade and fiscal policies trigger economic shocks. These could disrupt trade and supply chains and result in higher commodity prices, particularly for oil. Furthermore, if domestic financial conditions remain tight, borrowing costs could increase, and higher public-sector borrowing to finance fiscal deficits may crowd out private-sector investment, further restricting access to credit. Additionally, the ability of fiscal policy to respond effectively to emerging global shocks may be constrained.

Despite facing numerous challenges, that included global oil price fluctuations, trade disruptions during the COVID-19 pandemic, and climate change shocks, Uganda has kept inflation within the 5% target over the last decade ie averaging just 4.0% to be exact, reflecting the effectiveness of prudent monetary policy actions and fiscal policy. Throughout the year 2024, Uganda's inflation remained subdued ie consistently stayed below the target of 5.0% primarily due to stable economic conditions and effective monetary policy management, which helped shield the economy from external shocks. Indeed, in the twelve months to December 2024, annual headline and core inflation rates respectively averaged 3.3% and 3.6%, respectively. This stability can be attributed to previous monetary policy measures that bolstered the shilling exchange rate, favourable weather conditions that led to lower food crop prices, lower oil prices, and a reduction in global inflationary pressures. On the outlook, Inflation is projected to remain below the medium-term target of 5%, averaging 3.7% in FY2024/25 and 4.2% in FY2025/26 and then return to target in the medium term.

The above forecasts to the inflation trajectory are however subject to various domestic and global risks. On the upside, inflation could exceed expectations due to stronger-than-anticipated domestic growth, driven by increased investment in the extractive industries and the successful implementation of government programs. Additionally, disruptions to global supply chains caused by escalating geopolitical conflicts or extreme weather events could impact market supplies and increase prices while a more depreciated exchange rate could also intensify inflationary pressures. On the downside, inflation may fall below the projection if factors such as a stronger exchange rate, primarily due to higher capital inflows from the oil sector, come into play. Lower oil prices and slower global economic growth could also help ease inflationary pressures. Overall, the risks to the inflation outlook are balanced.

BANKING SECTOR REVIEW

In October 2024, the Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) by 25 basis points to 9.75%, citing improvements in the inflation outlook though this was observed to have been tainted with inherent uncertainty. Subsequent reviews revealed escalated risks to the inflation trajectory emanating from geopolitical tensions and policy uncertainty prompting the Monetary Policy Committee (MPC) to shun further contractions in the CBR. Accordingly, the CBR was sustained at 9.75% to the end of the year 2024.

Interbank money market rates stayed double digit throughout the year 2024, reflecting the tight liquidity conditions experienced in the banking sector. Overnight rates averaged 11.7%, while the 7-day weighted average rate posted an average of 11.59% by year end 2024.

The Standing Lending Facility (SLF) utilisation surged significantly to Shs 39.3 trillion in the 3 months to Dec 2024 from Shs 9.5 trillion in the three months to Sept 2024, manifesting increased demand for short-term liquidity by banks.

Throughout the year 2024, yields on government securities stayed double digit across all tenors. Save for the 91 days T-bill that yielded that remained flat in Dec 2024 relative to Dec 2023, yields in all the other tenors posted upward shifts. Prominent upward movements of at-least 150 basis points year-on-year were observed in the 364 days T-bill ie 220 basis points to 15.002%, 2 year T-bonds ie 225 basis points to 15.750%, 3 year T-bonds ie 180 basis points to 15.800%, 5 year T-bonds ie 150 basis points to 16.000%, 20 year T-bond ie 151 basis points to 17.500%. Overall adjustments in yields suggest a noticeable response to market dynamics, including fiscal & monetary policy developments that had significant adverse implications to inter-bank liquidity throughout the year 2024.

BANKS TAP UGX 39.3 TRILLION IN Q4 2024

A defining marker of stress in Uganda's banking sector

Throughout 2024, tight liquidity conditions led to elevated interbank rates and a surge in banks' short-term borrowing. Standing Lending Facility (SLF) utilisation soared to Shs 39.3 trillion in the last quarter, more than four times the level seen in the previous quarter.

In the three months to December 2024, the prime lending rate for shilling-denominated loans subsided to 20.1% from the 20.7% realised in the three months to September 2024. The weighted average shilling lending rate reduced to 18.3% relative to 18.6% realised in the three months to September 2024 while the lending rate on foreign currency denominated loans dropped to 8.5% from 9.0% over the same period. This notwithstanding, lending rates are expected to remain elevated in the near term on account of persistence in the on-going tight liquidity and financing conditions.

The Uganda Shilling remained relatively stable with a bias towards an appreciation in 2024 largely due to a combination of factors including continued inflows from coffee exports, remittances, portfolio inflows and Foreign Direct Investments (FDI) that supported the demand for foreign currency thereby helping to prevent undue pressure on the exchange rate, monetary policy actions, and reforms in the interbank foreign exchange market (IFEM). On a month-on-month basis, the shilling strengthened as measured against the USD/UGX having closed Dec at 3670 relative the Nov 2024 level of 3688, drawing support from stronger coffee exports, improved coffee prices, the tight monetary policy that has anchored investor flows plus NGO remittances. On the outlook, Uganda's positive economic prospects, strengthened by capital inflows into the mining and oil industries coupled with an accommodative monetary policy are expected to continue providing support to the shilling in the short to medium term. However, as economic activity picks-up the shilling is likely to weaken against the USD though in moderation owing to global financial market sentiments, particularly following the US-Fed paused policy easing exacerbated by the on-going trade wars.

In the three months to December 2024, Private Sector Credit (PSC) growth averaged 7.9%, a drop from the 8.9% recorded in the three months to September 2024. Despite this deceleration, the underlying conditions remain supportive for a gradual recovery in PSC. Going forward, previous monetary policy easing, and strong economic growth could provide a favourable environment for borrowing, and the relatively stable foreign exchange market is likely to bolster confidence in foreign currency loans. Shilling-denominated credit remains a key driver of growth, signalling the resilience of domestic-focused sectors. Growth in Shilling denominated loans averaged 10.0 percent in the three months to December 2024 down from 10.3 percent observed in the three months to September 2024, while growth in foreign currency-denominated loans contracted by 2.0 percent from 4.9 percent over the same period. This reduction reflects a cautious stance by supervised financial institutions (SFIs), which scaled back lending to the private sector amidst increased government borrowing and tight liquidity conditions.

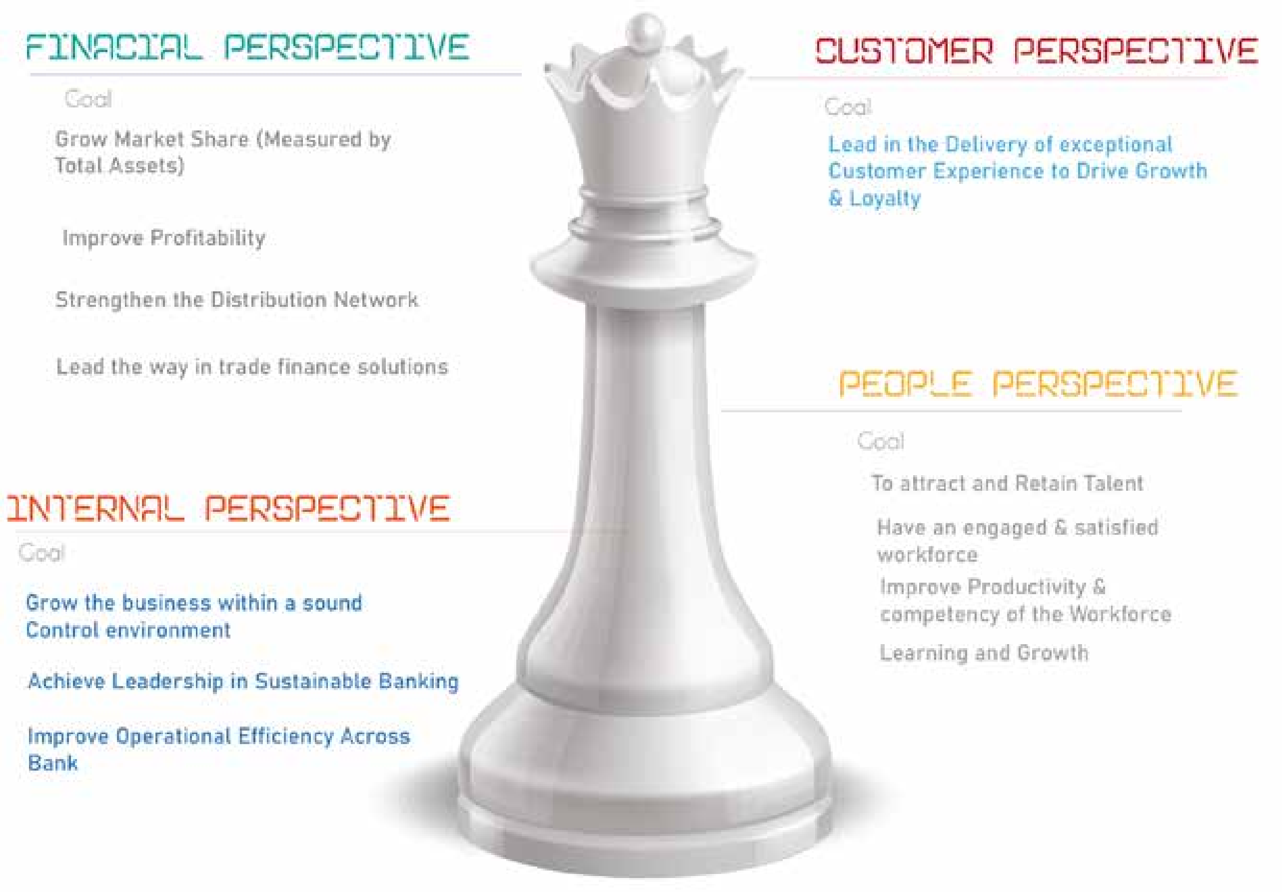
OUR APPROACH TO BUSINESS

The year 2024 marked the launch of the Bank's five-year rolling plan, designed to advance its corporate strategy. A key focus was capitalizing the Bank to meet the Bank of Uganda's minimum core capital requirement for Tier I Financial Institutions. Despite efforts, this goal was not achieved, increasing strategic risk. However, the Bank swiftly adjusted its approach, ensuring business sustainability.

The Bank's corporate strategy has six focus areas that are aligned to the four perspectives of the Balanced Score Card.

i) Growth and Expansion
ii) Customer Experience
iii) Optimise Technology with Digitalisation and Data Analytics
iv) Culture and Human Capital
v) Focus on Women
vi) Risk Management

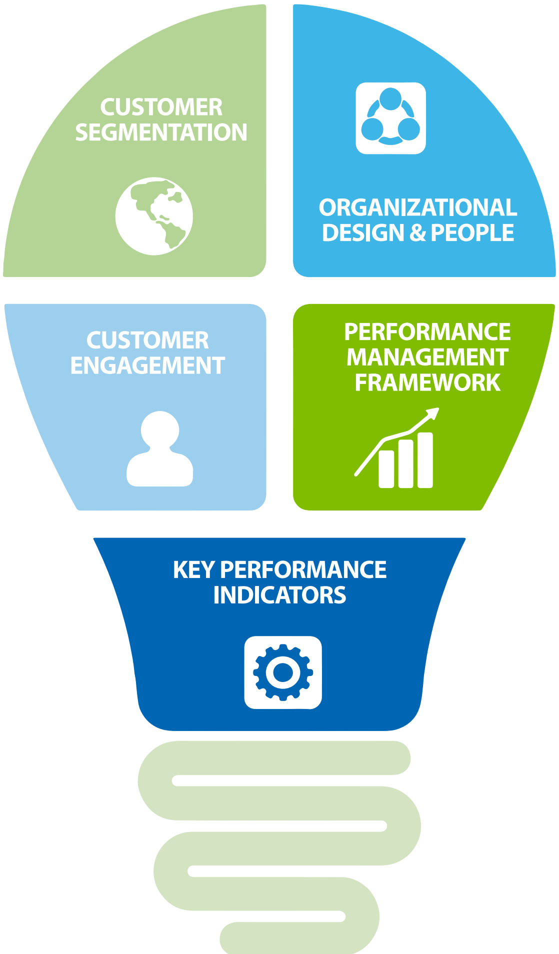
The execution of the strategy met with mixed success in the year; owing to the Bank's capital position, many initiatives tagged to capital were carried over into the next planning period. The Bank reviewed it strategy to commit to Goals enumerated in the illustration below:



That said, the bank achieved on key fronts and hereunder we enumerate some:

At a functional strategy level, the Bank implemented a new Business model -Target Operating Model (TOM) which essentially was premised on segmenting the customers and putting in place the support structures in personnel and incentives for mobilizing business therefrom. Considering that this was aligned to the corporate strategy the implementation was undertaken and woven into the business operations.

TARGET OPERATING MODEL (TOM)



- Retail Banking
- Business and Institutional Banking

- Redefined / enhanced roles aligned to various customer segments
- Aligning the right people into the right roles

- Continuous process reviews, enhanced CVPs.
- To align solutions for each segment while maximizing needs at origination and deepening existing segments

Designed to transform the culture of both the business and the organization at large into a performance-driven culture

- (KPIs) supported by a balanced scorecard
- Sustained through frontline incentive program (FLIP) to motivate staff & reward good performance

Under the new business model, the Bank's business was segmented between retail, Business and institutional banking with the two legs of the business being resourced with personnel to support growth therein as well as realigning existing staff body to the same.

Consequently, the bank was able to grow its balance sheet as well as earnings for the year. The deposit base grew by 23% net loans by 22%, total assets by 18% and an exponential growth in Profit After Tax of 178%.

The bank was able to close on key partnerships to augment the business, most notably with MTN to provide escrow services growing balances to over UGX 75 Billion. The Bank partnered with Post Bank Uganda Ltd. Integrating to its Wendi platform to manage PDM funds. The Bank partnered with FUFA to support the Women Super and Elite leagues to promote financial inclusion among the female soccer professionals as well as increasing its social responsibility expanding financial services to women and youth. The bank partnered with the GOU and World Bank to offer GROW loans to women and has disbursed over UGX 14 Billion across its network

The bank, under its sustainability drive, has established an ESG desk that continues to support initiatives and has been pivotal in ensuring the compliance to Environmental Social Standards. As well, the desk has been pivotal in coordinating the Uganda Banker's Association's drive to institutionalize ESG in all FIs in the country. Hereunder we illustrate the commitments.

SOCIAL
FTB Impacting Livelihoods

- Conducting CSR
- Financial literacy for our customers
- Partnerships to promote social agenda for especially women
- Grievance redress mechanism in place

ENVIRONMENTAL
FTB: A Responsible Environmental Citizen

- Bank's carbon footprint reducing through digitalization
- Environmentally-conscious lending (enforcing exclusion lists)

GOVERNANCE
Standardized Governance Practices at FTB

- Drive ethical culture, conduct, and behavior
- Aligning to standards and frameworks
- Integration of ESG in governance and core activities
- Enhancing capabilities across teams, including business, risk management, and data reporting

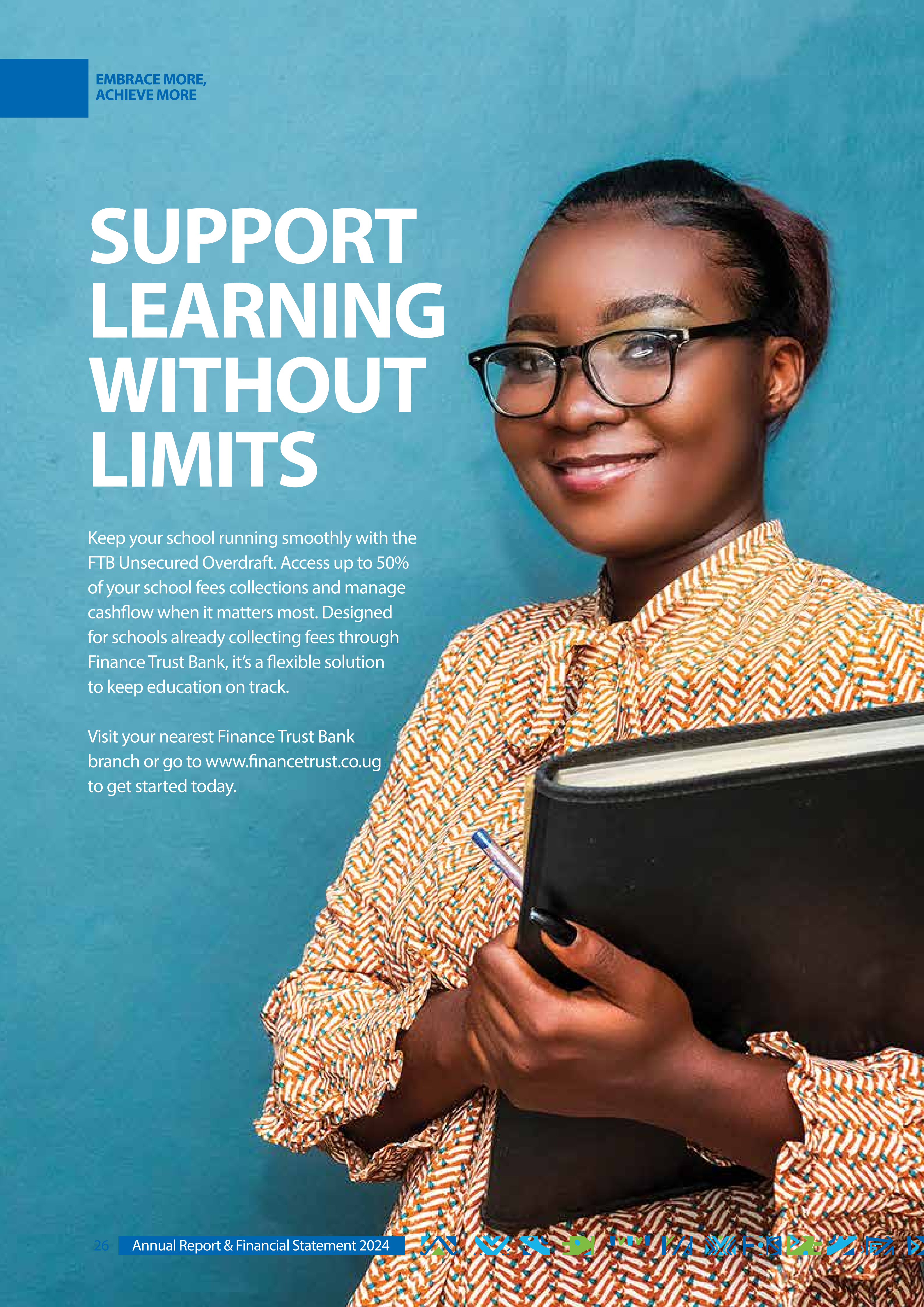
The rolling strategic plan demands that the strategic plan is reviewed annually and Bank reviewed its strategy. The planning accounted for stimuli from both the external and internal environments. On the external front, economic fundamentals remained and did not indicate major shifts from the initial panning environment with high-frequency indicators signaling continued strong economic expansion. Other indicators were important like, rising investment in the oil/gas sector, higher exports, resilient remittances and a rebound in tourism were expected to buoy growth. However, global financial and weather risks were noted to breed uncertainty for the growth outlook. The external conditions impinge on the Bank's clients and resultantly on the performance. However, there was a reason to be optimistic drawing from the Composite Index of Economic Activity (CIEA) and Purchasing Managers' Index (PMI) that pointed to positive economic conditions. Similarly, perceptions about doing business as shown by the Business Tendency Index (BTI), remained optimistic. Internally, the major pull factor remains capitalization of the bank which shall equal change of shareholding.

The review attended to both the internal and external conditions with the business being more alive to market share of the bank in terms of asset base and other key areas. Also, most salient was the intent to grow the Bank's off-balance sheet portfolio as well as alternate lines of business like Bancassurance and foreign exchange business.

Technology remains an important part of the bank's fabric and commitments were made to acquire solutions to improve the customer experience as well as improve operational efficiency. Laced to that, are partnerships with FINTECHs to augment the business. The strategy is also alive to Risks associated with Cybersecurity and the bank committed to enhancing its security apparatus through tooling, Cyber reconnaissance and Standardization to Global practices.

Internally, the Bank is committed to continue strengthening its control environment managing risk in the different facets of the business and ensuring total compliance to the legal regime. As well, the bank is slated to review its internal policies to eliminate redundancies. Sustainable financing is a critical piece of any business today and the Bank has commitments to remain an environmentally conscience citizen, attend to its social mission as well as ensure strong governance in its operations.

The commitment to employees, the Bank's most prized asset, is total with initiatives to increase their value proposition. As well, this is laced with commitments to improve the staff body though a Talent Management Framework and ensures a high growth culture. We look to 2025 with optimism and our planning frameworks attest to that. We anticipate changes over the horizon but are also postured to manage these in a manner that ensures the bank remains steadfast in its vision as well as mission. The success attained in 2024, which was a rather testing year, buoys our confidence for the new planning period embolden us to remain committed to our calling of efficiently delivering highly competitive financial services to our customers especially women.


EMBRACE MORE,
ACHIEVE MORE
SUPPORT LEARNING WITHOUT LIMITS
Keep your school running smoothly with the FTB Unsecured Overdraft. Access up to 50% of your school fees collections and manage cashflow when it matters most. Designed for schools already collecting fees through Finance Trust Bank, it's a flexible solution to keep education on track.
Visit your nearest Finance Trust Bank branch or go to www.financetrust.co.ug to get started today.

RISK REVIEW 2024

It's my pleasure to showcase our approach to Risk management that is focused on creating sustainable value through balancing financial aspirations, preserving the planet for the generations to come, and upholding the dignity of the people and communities whose lives and social well-being we touch through our existence.

Risk management is at the forefront of the Bank's business; shaping decisions at strategic, tactical, and operational levels and is the collective responsibility of the Board, Management, and the staff.

In the period under review, the bank endured an unprecedented challenge of being severely under capitalized while at the same time recorded strong financial performance with Profit After Tax (PAT) of UGX 10.3 Billion which is testament to our resilience in the face of challenges. It's exciting to imagine what the Bank could achieve once the shackles of undercapitalization are detached from its feet.

The Bank remains on course to onboard Access Bank Plc to replace the institutional shareholders and inject new capital to match the new regulatory minimum paid up capital requirement of Seven Million, five hundred thousand currency points equivalent to UGX 150 Billion. However, the delay in conclusion of the transaction and the resultant uncertainty had dire consequences on the Bank ranging from increased staff turnover, degraded risk profile by the bank's counterparties, imposition in execution of strategic activities and increased operational costs arising from non-compliance to the regulatory minimum paid up capital requirement.

The economic environment was relatively stable with inflation averaging at 3.3% over the course of the year within the Bank of Uganda target of 5.0% on the balance of the reduced negative impact of global crises. Agriculture plays a significant role in the economic ecosystem of the country and as such the favorable rainfalls ensured above normal Agric production which sustained the reported inflation rates. The foreign exchange rates were largely favorable with the Uganda Shilling gaining over the US Dollar on account of the strong earnings from Coffee export as world coffee prices increased due to low production in Brazil and other southern America producers.

Risk Governance

The Bank's risk governance structure provides for balance of power and authority and ensures clear separation of the primary roles of Governance and Managing of the company between the Board and Management for purposes of accountability.

Board of Directors

The Board of directors (hereafter referred to as Board) of Finance Trust Bank has ultimate responsibility and is accountable for the performance and affairs of the company. The Board constitutes of directors with different professional and academic backgrounds and operates through committees which enhance its oversight function through in-depth analysis and recommendations on specific aspects of the Bank's strategy and operations.

The Board committees are chaired by Independent Non-executive directors.

The Board delegates its authority to management which is responsible for the day-to-day operations of the Bank but remains accountable for policy formulation, strategic thinking, accountability, and monitoring and control. The Board convenes on a quarterly basis to review the financial performance of the bank and address any emerging issues that could affect the banks business.

In line with the amendments to the Corporate Governance regulations issued in 2024, the Bank instituted the Board Information and Communication Technology committee to provide oversight over the implementation of the IT strategy within the Bank.

Management Executive Committee

The Management Executive committee is responsible for the day-to-day management of the Bank under the stewardship of the Managing Director. Its responsible for communication and execution of the Board approved strategies and ensuring that internal controls are implemented to mitigate risks across the Bank's operations.

Management is fully involved in the activities of the Bank and possess sufficient knowledge of all major business lines to ensure that appropriate policies, controls, and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated and complied with. Like the Board, the management executive committee works through management committees that provide oversight over specific risk categories.

Management revised its operating model to The Target Operating Model (TOM) anchored on five pillars of Customer Segmentation, Customer Engagement, Organisational Design and People, Performance Management Framework and Key Performance Indicators which led to efficiency and value to our stakeholders.

Risk Management Department

The bank's Risk management function coordinates the implementation of the risk management strategy. It ensures that the Bank takes risks that are warranted i.e. risks that are understandable, measurable, and manageable and within the Bank's risk bearing capacity.

The Risk Management department is responsible for the coordination of development of policies & procedures and ensuring an adequate internal control system that encourages mitigation of current and emerging risks is in place.

The Risk department is responsible for cultivating a strong risk culture through risk awareness and sensitization and ensuring continuous improvement in the risk management process at all levels of the Bank.

Business Units

Value is created through risk taking and destroyed when risk is not controlled within acceptable limits. The first point of contact are the business units who are responsible for recognising, acknowledging, and mitigating the risks inherent in the various activities they engage in. They are responsible for ensuring that appropriate controls are consistently implemented to mitigate the risks that they interface with daily.

Internal Audit

Internal Audit is mandated by the Board to provide independent and objective assurance and advisory services designed to add value and improve operations. Internal Audit provides assurance to the Board and Executive Management on the effectiveness of governance practices, risk management and controls designed to mitigate risks.

Lines of Defence

First Line of Defence: The business units are the first line of defence and are the process owners that generate and are responsible for management of risks on a day-to-day basis. They are tasked with the execution of a comprehensive internal control system.

Second Line of Defence: The Risk department together with the compliance department constitute the second line of Defence as per the assurance hierarchy. They support management in ensuring that adequate controls are in place and all risks are managed appropriately and effectively.

Third Line of Defence: The internal audit function constitutes the third line of defence and provides assurance to senior management and the Board on the adequacy of the Governance, Risk Management and Compliance practices of the Bank in line with the expectations of the various stakeholders.

Risk Appetite

The bank's risk appetite statement states that "Finance Trust Bank shall take a cautious and conservative risk approach in all its banking business. This shall be manifested in the way risk decisions are made across all business units to ensure that risks are clearly identified, understood, and mitigated."

Risk tolerance limits represent the Bank's aggregate risk appetite statement to business lines, regulatory, statutory, and prudential requirements, funder's covenants, counterparty exposures and balance sheet allocations. The limits extend to include approval of allocations, disbursement, and expenses in line with the bank's overall strategy. Whereas the Bank has established tolerance limits the bank maintains a zero-tolerance stance to fraud and poor customer service to re-enforce corporate ethos and values, and focus on delivering customer value.

Risk Management process

The Bank manages risk through a coordinated set of activities for identifying, analyzing and evaluating whether the risk should be modified by risk treatment in order to satisfy its risk criteria.

The Bank's risk management process is initiated through establishment of the context of risk management. By establishing the context, the Bank articulates its objectives, defines the external and internal parameters to be taken into account when managing risk, and sets the scope and risk criteria for accepting the risk. Determination of the scope of risks is followed by risk identification, assessment, treatment, and monitoring.

Risk identification: Involves finding, recognizing, and describing the risks that could influence the achievement of the bank's strategic objectives. It considers a 360 degrees approach since every delivery channel, product and service offered by Finance Trust Bank has a unique risk profile composed of multiple risks.

Risk Assessment: Involves analyzing and evaluating the likelihood and consequences of each identified risk and deciding which risk factors will potentially have the greatest effect and should, therefore, receive priority regarding how they will be managed. The level of risk is analyzed by combining estimates of likelihood and consequences, to determine the priority level of the risk.

Risk treatment: Involves identifying the range of options for treating the risk, evaluating those options based on significance of the risk, whether the cost of the option is commensurate with the benefits of treatment, preparing the risk treatment plans and implementing those plans. The bank adopts the following four strategies in treatment of identified risks: Risk Transfer, Risk Avoidance, Risk Reduction and Risk Acceptance.

Risk monitoring: Risks generally do not remain static and the factors that may affect the likelihood and consequences of an outcome may change, as may the factors that affect the suitability or cost of the various treatment options. Monitoring ensures that the bank modifies or changes the risk treatment strategies as the risks evolve.

Risk communication: reporting to the stakeholders of the Bank.

Risk Profile

Strategic Risk:

The risk of legal or regulatory sanction or financial loss or damage to resulting from failure to comply with laws, regulations, codes of conduct, internal policies, and standards of good practice applicable to its financial activities.

The Bank is in the process of finalizing the strategic partnership between Finance Trust Bank and Access Bank Plc which will see the Access Bank Plc acquire the shareholding stake held by institutional shareholders. In addition, Access Bank Plc shall inject capital required for the bank to comply with the new minimum regulatory capital requirement of UGX 150 Billion.

The delay in the conclusion of the transaction implied that the Bank operated as an under capitalized bank in 2024 which had an impact on strategy execution. Despite the challenging position, the Bank was able to register remarkable growth in the Balance sheet, meet all its obligations to stakeholders and grow share holders' value.

The Bank enjoys a favorable brand image buoyed by our strong Ugandan heritage anchored on serving the historically marginalized women and youth segments for impactful financial inclusion.

Way forward:

Access Bank Plc has obtained conditional approval from the Central Bank of Nigeria to invest in Finance Trust Bank and is committed to complying with all the set conditions. The Bank provides regular updates to the Bank of Uganda on the progress of the transaction and remains in close contact with the regulator for guidance.

Credit Risk:

The risk of loss arising from failure by a borrower or counterparty to meet their obligations as per the terms and conditions.

The bank's loan book grew by 22.5% to close at UGX 351.8 Billion driven by strong growth under the Business loan products and Agriculture loan products on account of the improvement in the economic environment and the favorable weather conditions in 2024 that supported agro-production. The bank also registered significant utilization of its mobile loan product with the portfolio growing by 94%. In terms of sectorial concentration, all the sectors closed within the Board approved sectorial limits with the biggest proportion of the loan book under Agriculture, Fishing and Forestry followed by Building, Mortgage, Construction and Real Estate and Trade, Commerce and Business services.

The bank registered an improvement in the loan quality with the Non-Performing Ratio closing at 3.3% from 3.78% as at end of Dec 2023. However, there was a noted increase in Non-performing Assets under the Agriculture loan product driven by unfavorable weather conditions characterized by droughts and floods registered in 2023 leading to crop failure or low yields. Similarly, there was a noted increase in the distressed business loans especially under the micro loans below UGX 5M and the unfortunate death of some big ticket borrowers whose loans were above the insurable threshold.

The credit risk attributed to counterparties is low and managed by dealing with counterparties rated strong and satisfactory as per the Bank's approved counterparty limits.

Way forward:

With noted increases in Non-performing Assets under the Agriculture sector, management is in the process of developing an Agri-business strategy with the support of Aceli Africa aimed at enhancing the Bank's approach towards Agri-business lending.

Operational Risk:

The risk of loss arising from failure or inadequacy of people, internal processes, systems and external events. Inherent operational risk is high for financial service providers given the varied points of failure due to large number of service points, several processes to deliver services and risks associated with people including moral hazards, high staff turnover in the financial services industry.

The Bank was challenged by high staff turnover with the non-regrettable turnover driven by the organizational restructure in early 2024, enhancement of the performance management system which led to timely identification of under-performing staff and exit of fraudulent and unethical staff. Regrettable exits were attributed to staff seeking better employment opportunities as the bank was not in position to improve staff welfare due to its under-capitalization state. It is also imperative to note that the delayed conclusion of the capital mobilization continued to create uncertainty on the strategic direction of the bank that motivated some exits.

On the positive, the anticipated onboarding of Access bank plc attracted talent from outside the bank that has supported in registering stellar performance.

The bank continues to register an increasing trend in legal cases for and against it stemming mainly from credit related business operations and clients challenging the bank's recovery efforts in a bid to avoid taking responsibility for their failure to honor their credit obligations. The bank registered an increase in labour office and industrial court cases arising from ex-staff challenging their exit from the Bank. Whereas we note that the majority of the cases are frivolous in nature, they cost the bank in terms of valuable time and increase the legal costs of the bank. Management ensures that customer and staff engagements comply with the bank's policies, regulations, and the law to avert legal losses.

Fraud remains a key concern for the bank especially cash suppression by Relationship officers which represents the largest exposure in terms of number of incidents. The bank registered a new fraud trend related to unauthorised transfers involving impersonation.

The Bank registered fewer complaints arising from service delivery failures mainly on account of improvement in service uptime on our electronic banking channels. Importantly, the bank has improved its complaints logging and monitoring system supported by a fully staffed call center that address emerging issues timely.

Way forward:

Management is cognizant of the attrition due to voluntary exits and lined up various staff welfare improvement programmes to address concerns raised by exited staff. These are scheduled for implementation in the second half of the year.

To mitigate the risk of cash suppression, management upgraded its electronic channels to improve uptime, customer user experience and security to enhance client's confidence in the channels. Coupled with regular sensitization and awareness, there is anticipated increase in usage of the electronic channels leading to reduction in cash suppression.

Technology and Cyber Risk:

The Risk of loss resulting from inadequate or failure in Information Technology Systems leading to disruptions. Technology risks may manifest through cyber attacks, service outages, obsolete equipment and software that do not support business operations among others.

Following the upgrade from Br. Net Core Banking System to Nimble version, the bank experienced system challenges during post go-live and whereas majority of the issues have been resolved, there are noted isolated incidents of re-occurrence of issues which inadvertently affect service delivery.

The bank is challenged with IT resources that are on its network and are either End of Life or End of support which makes them vulnerable. These require capital expenditure for which the bank is constrained to make due to the under-capitalization state. In addition, the bank has identified various areas of improvement that require capital expenditures to close but is constrained due to capital.

Way forward:

Under the prevailing circumstances, the Bank maintains strong relationships with its service providers to provide support in managing the End of Life or End of support systems on the network through creative solutions without compromising the security of the systems. These systems are scheduled to be replaced in the second half of 2025.

Liquidity Risk:

The risk of potential difficulty an entity may face in meeting its short-term financial obligations at the right time and currency due to an inability to convert assets into cash without incurring a substantial loss. Financial obligations may include supplier, dividend and employee salary payments while other uses for liquidity may include regulatory compliance, honoring customer withdraws and extending of credit to clients.

Funding and liquidity were mostly tight in the year driven by the Government's strong appetite for domestic borrowing with an oversubscribed Bid to Cover ratio for most Government paper issued. With a strong appetite for Government paper, market rates remained relatively high, increasing the cost of funding. On the backdrop of the declining inflation registered in 2023, the Central bank continued its lax monetary policy stance reducing the Central Bank Rate to 9.75% as at close of 2024 to counter the inflationary pressures arising from global crises and food inflation caused by poor harvests due to poor rains registered in 2023.

This was further exacerbated by downgrade of the Bank's risk ranking by some counterparties on account of the Bank's under capitalization. Resultantly, the counterparties revised our counterparty limits with them downwards exerting more pressure on the funding sources amidst strong credit growth.

Way forward:

Through the Target Operating Model, the Bank revamped its Client Relationship Management system. This was complemented by the re-alignment of the structure of the Business development function to support the new CRM system in mobilization of deposits across the different segments.

Market Risk:

The risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments caused by adverse movements in market variables such as equity and commodity prices, and currency exchange and interest rates.

Interest rate risk:

Interest rates remained relatively high over the course of the year driven by the high demand for funding from the Government characterized by the high rates for Government paper. The Bank largely maintained a positive short term interest rate gap within the recommended regulatory and internal limits. The positive gap implies that in the regime of increasing interest rates, the net effect of repricing rate sensitive assets and rate sensitive liabilities would be a net positive effect on the bank's interest margins for parallel shifts in the interest rates.

Foreign Exchange risk:

The shilling mostly gained over the hard currency. This was mainly driven by moderated outflows, substantial inflows of US dollars driven by high export earnings from sale of coffee on the world market. With major producers of coffee on the world market affected by droughts leading to low yields, coffee prices drove upwards and with relatively good harvest in Uganda, the country's earnings soared, balancing the demand for the hard currency resulting in appreciation of the Uganda shilling.

The bank's exposure to FX risk is low. The bank does not hold substantial assets and liabilities in foreign currency since it does not offer FX denominated loans and does not aggressively sell FX denominated liabilities products.

Way forward:

Management focuses on mobilizing low-cost deposits with little sensitivity to movements in interest rates to minimise the impact of rate changes on the bank's business.

Compliance risk:

The risk of legal or regulatory sanction or financial loss or damage to resulting from failure to comply with laws, regulations, codes of conduct, internal policies, and standards of good practice applicable to its financial activities.

The bank maintained high compliance levels to both regulatory and internal compliance requirements. The bank complied with all regulatory requirements except the revised minimum paid up capital requirement of UGX 150bn. Over the course of the year the bank's offsite rating was ranked Weak by the central bank mainly affected by the Capital adequacy rating that was rated Weak for most of the year due to the breach in the minimum paid up capital requirement.

There were several regulatory guidance notices issued in the year reflecting stricter compliance requirements for regulated financial institutions considering the evolving risk landscape in both the local and global banking industry increasing the cost of compliance.

Risks to watch in the year 2025

Risk	Risk Description	Risk Events	Risk Mitigation
Political Risk	The country is preparing for the general elections of 2026 with electioneering activities expected to commence in earnest in the second half of the year 2025.	• Capital flight. • Operational disruptions e.g riots. • Elevated inflation. • Increase in interest rates. • Diversion of loan proceeds	• Increase awareness and testing of Business continuity plans. • Increase scrutiny and monitoring of loans. • Mobilize medium to long term funds.
Geopolitical Risks	There are no indications of ceassation of regional conflicts in DRC and Southern Sudan. The prolonged hostilities will have.	• Reduced markets for Ugandan goods affecting economic growth. • High chances of endemic/epidemic disease outbreaks.	• Adjust decisioning models to accommodate the impact of reduced economic activity.
	The foreign policy of the United States under the current administration is characterized by cuts in funding foreign causes, increased tariffs, withdrawal from global alliances.	• Reduced Foreign Direct Investments • Global recession affecting economic growth. • Price wars.	• Timely response to emerging global trends.
Climate Risks	Climate related risks continue to pose a significant threat to the bank in terms of direct and indirect physical or transition risks.	• Extreme weather events such as floods, droughts, cyclones leading to high Nonperforming loans, destruction of infrastructure, increase in disasters. • Slow long-term impact such as increase in temperatures leading to increased instances of pests and diseases. • Costs of transitioning to net zero.	• Development of climate smart products. • Collaboration with partners spearheading sustainable financing.
Cybersecurity Risks	Advances in technology with the advent of new age technologies such as Cloud computing and Artificial Intelligence coupled with increased reliance on Third parties increasing the attack surface.	• Data breaches. • Cyber Attacks. • Disruptions arising from performance issues.	• Investment in latest tools and technologies such as Artificial Intelligence to avert threats.
Talent Risks	High demand for skilled professionals within the financial services industry.	• Increased costs of attracting and retaining talent.	• Review staff welfare programmes. • Strengthen succession plans.
Regulatory Compliance	Increase in new regulatory requirements driven by evolving risks in the financial services industry and need to converge with global regulations.	• New regulatory requirements.	
Competition from Fin techs and non-fintech non-traditional providers of banking services	Disruption of market dynamics with entry of non-traditional providers of banking services.	• Loss of market share.	• Customize Client Value Proposition for different sectors to address specific needs.

Environmental Social and Governance Aspects

The risk to Finance Trust Bank's ability to achieve its strategy and remain going concern arising from direct and indirect impacts on the environment, society, and governance.

At FTB, we are cognizant of the potential effects of the impact of environmental degradation on our business and strategic goals. With our focus on extending financial services especially to women who are majorly involved in agricultural activities, we fully recognise the importance of sustainable usage of the environment in impacting the societies where we operate. The Bank continuously seeks for partners to support its ESG. Currently, the Bank is privileged to partner with Aceli Africa, Symbiotics, aBi Finance and Uganda Energy Credit Capitalisation Company.

Internal Capital Adequacy Assessment Process

It is the articulation of the capital management processes within the Bank and an internal assessment of the level of capital required to be held, against all risks the Bank is or may become exposed to, to meet current and future needs considering the ever-changing operating environment. The ICAAP forms the basis of the Supervisory Review and Evaluation Process (SREP) discussions with the Bank of Uganda.

The Internal Capital Adequacy Assessment Process is owned by the Board and conducted by Management. The process is reviewed by the Internal and External Auditors for completeness.

The ICAAP is based on the current strategic plan which includes a forecast for the next five years 2024 to 2028, which has estimated growth in deposits, loan book, Investments portfolios and other strategic growth aspirations. The assessment for capital required to cover risks for the projected business plan for 2025 indicates that the bank's current capital resources are inadequate to cover the anticipated risks.

Relatedly, the bank was yet to comply with the revised minimum paid up capital requirement of UGX 150bn as at June 2024. The Bank and Access Bank PLC announced the signing of a definitive agreement for Access Bank's equity investment into FTB. This equity investment once concluded, shall cover the capital deficit identified in the Internal Capital Adequacy Assessment Process.

People and Culture

In driving to achieve our strategic ambitions, our people continue to be a critical enabler of our performance and culture. The Bank continues to attract, retain and grow the skills and talent that are critical to delivering our strategy and value for our customers as well as driving a culture of excellence and sustainable high performance. As one of the pillars for our business model, a refreshed approach was undertaken to managing our people through engagements and more regular performance discussions to inspire and set out clear expectations to be delivered in addition to constructive feedback mechanisms through surveys and peer to peer assessments. Additionally, encouraging greater aspiration during goal setting has strengthened our culture of high performance and productivity.

The Bank further commits to wellbeing as a key factor in our Human capital management and thus continues to drive interventions to enable a healthy working environment through practices such as promoting physical exercises, mental health trainings, counselling or therapeutic support, employee assistance programme through which professional counselling is also available.

Skills development of our workforce is critical for our future strategic value to enable our people to keep pace with the Bank`s strategic priorities, evolving customer expectations, business transformation and rapid technological innovation. We are reinforcing our skills-led approach, focusing on building capacity among our workforce with a combination of human and technical skills, as well as enhancing a culture of continuous learning that empowers them to grow, increase their long-term employability and follow their career aspirations. These efforts aim to ensure that our workforce transformation is closely linked to our business growth and transformation.

Our gender diversity continues to grow, with more women leaders moving up to senior roles. Women currently represent 53.8 per cent of the Board. 7 of our leadership team are women. Representation of women in senior leadership roles increased to 43.8 per cent by the end of 2024. We are committed to continuous improvement in this area to drive the women-centricity agenda enshrined in our mission .

Celebrating Success: Honoring Finance Trust Bank's Dedicated Staff

At Finance Trust Bank, we believe in celebrating the hard work and dedication of our staff. We proudly recognize Mr. Allan Musembya from the Business Technology Department for his outstanding contributions to the development of the Bank's Innovation and Automation Solutions. Allan's exceptional efforts were rewarded with a plaque, certificate, and cash reward, presented by Dr. Evelyne Kahiigi, Board Chairperson, in the presence of fellow Board members, Ms. Annet Nakawunde, Managing Director, and Lawrence Filly, Head of Business Technology.

This recognition is a testament to the incredible work of our team, who continue to drive the Bank's success through innovation, commitment, and excellence.

Stakeholder Engagements

At Finance Trust Bank, we recognize that building strong relationships with our stakeholders is key to achieving our mission of promoting financial inclusion and fostering sustainable growth. Our stakeholder engagements encompass a wide range of activities, from supporting community initiatives and participating in industry events to collaborating with key partners in both the public and private sectors. Through these engagements, we seek to exchange valuable insights, drive impactful change, and ensure that we remain responsive to the evolving needs of our clients, communities, and the broader financial sector.

UWT - Celebrating International Women's Day with Uganda Women's Trust

Uganda Women's Trust is not just a share holder in Finance Trust Bank but also a strong pillar for empowerment, training and community building glue for Women's groups.

As part of our continued commitment to women's economic growth, Finance Trust Bank participated in the International Women's Day celebrations organized by the Uganda Women's Trust at their offices in Nsambya.

The event brought together Women's groups in the Community that have been hand-held by UWT from inception. The groups of women participated in a March within the community and they showcased their growth and cohesion as well as the businesses they were managing.

The bank was represented by members of the EXCO Team and other support functions. The Groups of UWT are being supported to access Savings products, Credit products as well as the adoption of alternative banking channels such as mobile and agent banking.

The engagement reinforced the Bank's mission to increase financial inclusion for women by promoting accessible, flexible, and technologydriven banking solutions.

Strengthening Cultural Heritage Through Innovation: 8 Years of Supporting Ekisaakaate Kya Nnabagereka

Finance Trust Bank Sponsored Ekisaakaate Kya Nnabagereka for the 8th Consecutive Year. Finance Trust Bank continued its partnership with the Nnabagereka Development Foundation by sponsoring Ekisaakaate Kya Nnabagereka 2025, marking the 8th year of support for this impactful cultural initiative.

The Bank was represented at the official launch by Ms. Tatu Namiiro, The Regional Manager Central flanked by Ms. Christine Namiiro the Manager Women in Business.

This year's theme, "Integrating Culture and Technology," strongly aligns with the Bank's mission of driving financial inclusion through innovation, particularly for women and youth. The Bank applauded the Foundation for championing responsible technology use, acknowledging its growing role in shaping values and opportunities for the next generation.

As in previous years, Finance Trust Bank equipped the youth attending Ekisaakaate in Financial matters – Budgeting, Needs and Wants, use of Technology as a driver for online businesses and e-commerce. The bank is proud of its partnership with the Nnabagereka Development Foundation and remains committed to supporting initiatives that nurture Obuntu Bulamu.

Driving Regional Growth: Finance Trust Bank at the 21st East African Banking School Conference

Finance Trust Bank Participates in the 21st East African Banking School Conference

Finance Trust Bank took part in the 21st East African Banking School Conference, joining industry experts from across the region to deliberate on the theme: "The Role of Financial Services in Building Sustainable Regional Economies."

Our participation underscored the Bank's commitment to sustainable financing and regional economic development. The conference provided a platform to engage on key trends, challenges, and opportunities within the financial services sector, with a focus on long-term impact and inclusive growth.

We look forward to applying the insights gained to enhance our role in promoting sustainability and financial inclusion across Uganda and the East African region.

Championing Digital Trust: Finance Trust Bank at the East Africa Information Security Conference

In the past year, the bank actively participated in the 13th Annual East Africa Information Security Conference, organized by ISACA Kampala. The conference, themed "Digital Trust: Embracing Change, Empowering Leadership," provided a valuable platform for knowledge sharing and industry collaboration. Our team engaged in discussions on security incident management and cybersecurity strategies, reinforcing our commitment to maintaining the highest standards of digital security. This involvement underscores our dedication to staying at the forefront of information security practices and ensuring the trust of our clients and stakeholders.

Supporting Women in Sports

Finance Trust Bank and FUFA partner for Women

The Bank in 2024, signed a landmark partnership of 5 years with Federation of Ugandan Football Associations – FUFA to support Women's Football.

The 5-year commitment to sponsor the FUFA Women's Super League and the Elite League now codenamed the Finance Trust Women Super League and the Finance Trust Elite League, will go a long way towards improving brand affinity as well as helping to achieve our social and economic empowerment objectives.

We acknowledge the immense contribution and potential that women's football has in talent development, creation of employment for the women and all stakeholders across the value chain and the general contribution to economic development of the country that can be realized through sport.

With a contribution amounting to over Ugx 2bn in the period, we are certain that the Bank will improve lives through women's football in both social and economic aspects.

Celebrating Excellence at the Women's Chess Tournament.

Finance Trust Bank for the second year running sponsored the Women's Chess Tournament which was held on 8th March 2024 at the Gloria Gardens.

This chess Tournament is an all-female tournament that brings together seeded and unseeded players ranging from 6 years onwards. Women's Chess Tournament provides a platform to celebrate strategic excellence and women's empowerment through intellectual sport. It highlights the power of Strategic thinking, a tool women need for their everyday life.

As a proud partner and supporter, Finance Trust Bank was honoured to take part in the event and members of staff were present to award top performers, affirming the Bank's commitment to promoting confidence, focus, and leadership among women and girls through non-traditional avenues like chess.

We Gave Blood. We Saved Lives.

At our Head Office in Twed Plaza, Finance Trust Bank held a blood donation drive that brought together staff and members of the public in a shared effort to support the national blood bank.

We are proud that 64 people participated, donating a total of 28,000ml of blood. Our Executive Team led by example, actively taking part in the exercise and demonstrating the spirit of leadership and service that defines our institution.

At Finance Trust Bank, we believe that our impact should reach beyond financial services. This initiative was a powerful reminder that small, selfless actions can help save lives and strengthen the communities we serve.

Financial Literacy Training at UMA Show Grounds

Finance Trust Bank conducted a financial literacy training at the UMA Show Grounds to promote responsible borrowing and support women entrepreneurs. The well-attended event covered key topics such as when and why to take a loan, how to apply for credit, and introduced participants to FTB's tailored products, including the Trust Women Loan and the GROW Loan.

The GROW Loan, part of a government and World Bank initiative, offers affordable financing to women-owned businesses, with loan amounts between UGX 4 million and UGX 200 million at a flat interest rate of 10.5%. Borrowers who repay on time receive performance-based grants, with higher incentives for vulnerable groups.

This initiative reflects FTB's commitment to financial inclusion and empowering women through access to practical financial education and supportive credit facilities.

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCE TRUST BANK LIMITED

ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2024

TABLE OF CONTENTS

TABLE OF CONTENTS	Page
Corporate information	1 - 2
Directors' report	3 - 4
Statement of directors' responsibilities	5
Independent auditor's report	6 - 10
Financial statements	
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15 – 78

DIRECTORS

The directors who held office during the year and to the date of this report were:

Dr. Evelyn Kigozi Kahiigi*	Chairperson
Mrs Annet Nakawunde Mulindwa*	Managing Director
Mrs. Annette Kiggundu Nansubuga*	Executive Director
Mrs. Grace Namulinda Aliakai*	Non-Executive Director
Mr. Kirunda Robert*	Non-Executive Director
Mrs. Mary Achan Oduka Ochan*	Non-Executive Director
Mr. Jean-Louis de Montesquiou****	Non-Executive Director
Mr. Tor G. Gull **	Non-Executive Director
Mr. Loic De Cannie're*****	Non-Executive Director
Mrs. Lydia Koros***	Non-Executive Director
Mr. Jeremy Hadjdenberg****	Non-Executive Director - Alternate to Mr. Jean-Louis de Montesquiou
Mr. David Ssenoga*	Non-Executive Director - Alternate to Mr. Tor G. Gull
Dr. Albert Richard Otete*	Non-Executive Director
Mr. Gervase Ndyanabo*	Non-Executive Director
Ms. Kawasiima Christine*	Non-Executive Director

Ugandan * Finish ** Kenyan *** French**** Belgian*****

COMPANY SECRETARY

Mrs. Patricia Kemirembe Katende
Finance Trust Bank Limited
Twed Plaza, plot 22B, Lumumba Avenue
P. O. Box 6972
Kampala, Uganda

AUDITOR

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

REGISTERED OFFICE

Finance Trust Bank Limited
Twed Plaza, Plot 22B, Lumumba Avenue
P. O. Box 6972
Kampala, Uganda

BRANCHES

Head Office		Kamwenge
Central	Lwengo	Kabarole
Entebbe	Gomba	Pallisa
Mukono	Jinja	Arua
Lugazi	Iganga	Kitintale
Kayunga	Kamuli	Kalangala
Masaka	Busia	Nateete
Katwe	Tororo	Nansana
Nakivubo	Mbale	Kapchorwa
Kalerwe	Kumi	Mbarara
Owino	Soroti	Ishaka
Kampala Road	Ntungamo	Corporate

BANKERS

Bank of Uganda
Plot 17/19 Kampala Road
P. O. Box 7120
Kampala, Uganda

Centenary Bank
Plot 44-46 Kampala Road
P. O. Box 1892
Kampala, Uganda

Bank of Africa
Plot 45, Jinja Road
P. O. Box 2750
Kampala, Uganda

BANK'S SOLICITORS

Muwema & Co. Advocates & Solicitors
Plot 50 Windsor Crescent Road-Kololo
P. O. Box 6074
Kampala, Uganda

Nassuna & Co. Advocates
2nd Floor, Plot 50A-54A,
Block 668, Buganda Road Flats
P. O. Box 8728
Kampala, Uganda

ATNA Advocates
Church House 7th floor
P. O. Box 20039
Kampala, Uganda

Okalang Law Chambers
Plot 29 Bandali Rise Bugolobi
P. O. Box 29117
Kampala, Uganda

Muhumuza-Kiiza Advocates
and Legal Consultants
Plot 69 Spring Road - Bugolobi
2nd Floor Millenium Plaza
P. O. Box 29167
Kampala, Uganda

Nambogo and Co.Advocates
Suite B-12, 12th Floor
DTB Centre Plot 17/19 Kampala Road
P. O. Box 9071
Kampala, Uganda

AKN Advocates
Wing B, 3rd floor
Lugogo Bypass
P. O. Box 31014
Kampala, Uganda

Ligomarc Advocates
Plot 4 Jinja Rd 5th Floor-
Western Wing Social Security House
P. O. Box 8230
Kampala, Uganda

Signum Advocates
3rd Floor, Unicalo House,
Plot 11, Archer Road Kololo,
P. O. Box 100326
Kampala, Uganda

Bluebell Advocates
Plot 3a Bata Close, Design Hub Kampala Annex,
5th Street Industrial Area, Bugolobi
P.O. Box 28615
Kampala, Uganda

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2024, which disclose the state of affairs of Finance Trust Bank Limited ("the Bank"). The financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the Companies Act Cap. 106 of Uganda and the Financial Institutions Act 2004 (as amended) and Financial Institutions Regulations, of Uganda.

PRINCIPAL ACTIVITIES

The Bank is engaged in the business of commercial banking and the provision of related services as licensed to do so under the Financial Institutions Act 2004 (as amended) and Financial Institutions Regulations, of Uganda.

RESULTS AND DIVIDEND

The profit for the year of Shs10,359 million (2023: Shs 3,732 million) has been taken to retained earnings. The directors did not recommend payment of dividends for the year ended 31 December 2024 (2023: Nil).

DIRECTORS

The current members of the Board are shown on Page 1.

CORPORATE GOVERNANCE

The Bank has established a tradition of best practices in corporate governance. The corporate governance framework is based on an effective experienced Board of Directors, separation of the Board's supervisory role from the executive management and constitution of Board committees generally comprising a majority of non-executive directors and chaired by a non-executive independent director who oversees critical areas.

BOARD OF DIRECTORS

The Bank has a broad-based Board of Directors. As at 31 December 2024, the Board of Directors consisted of 15 members. The Board functions as a full board and through various committees constituted to oversee specific operational areas. The board has constituted six committees. These are the Assets and Liabilities Committee, Audit Committee, Risk Committee, Credit Committee, Compensation Committee and ICT Committee that was constituted in the quarter of the year 2024 in compliance with the regulatory requirements on corporate governance. All board committees are constituted and chaired by non-executive independent directors. The membership on these committees at 31 December 2024 was as follows:

Committee	Chairperson	Membership	Meeting frequency
Assets and Liabilities	Dr. Albert Richard Otete	5 Non-Executives 2 Executives	Quarterly
Audit	Ms. Kawasiima Christine	3 Independent non-Executives	
Risk	Dr. Albert Richard Otete	4 Non-Executives 2 Executives	
Credit	Mr. Gervase Ndyanabo	5 Non-Executives 2 Executives	
Compensation	Mr. Gervase Ndyanabo	5 Non-Executives	
ICT	Christine Kawasiima	3 Non-Executives 2 Executives	

In addition to the previously mentioned committees, there are management-level committees consisting of senior management, which convene regularly, with meetings occurring on a daily, weekly, monthly, and/or quarterly basis.

Shareholder exit transaction

The exit of the Institutional Investors is happening concurrently with the recapitalisation of the Bank by Access Bank Plc. The transaction is currently pending approval by Bank of Uganda and the Central Bank of Nigeria. The transaction, which is anticipated to be concluded by 30 June 2025, will see Access Bank concurrently acquire the shares currently held by the exiting institutional shareholders bringing the exit transaction to a close.

EXTERNAL AUDITOR

The Bank's auditor, Ernst & Young Certified Public Accountants, has expressed willingness to continue in office in accordance with Section 167 (2) of the Companies Act Cap. 106 of Uganda and Section 65(1) of the Financial Institutions Act 2004 (as amended), of Uganda.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2025.

By order of the Board

……………………………
Company Secretary

The Bank's directors are responsible for the preparation and fair presentation of financial statements for Finance Trust Bank Limited ("the Bank"), comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity and statement of cash flows, and the notes to the financial statements, which include material accounting policy information, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act Cap. 106 of Uganda and the Financial Institutions Act 2004 (as amended) and Financial Institutions Regulations, of Uganda. The Tax Procedures Code Act Cap. 343 requires a taxpayer with an annual turnover of Ugandan Shillings 500 million to furnish, with the taxpayer's return of income, audited financial statements prepared by an accountant registered by the Institute of Certified Public Accountants of Uganda (ICPAU). The financial statements are prepared by the Bank accountant with the oversight of the directors.

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

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act Cap.106, of Uganda and the Financial Institutions Act 2004 (as amended) 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 of the Company and of its operating results in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act Cap 106. and the Financial Institutions Act 2004 (as amended). Uganda. The directors further accept the responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors certify that to the best of their knowledge, the information furnished to the external auditor for the purpose of the audit was correct and is an accurate representation of the Bank's financial transactions.

The directors have assessed the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern for the next twelve months from the date of this statement. The capital restoration plan, approved by the Bank of Uganda in 2023, continues to be in effect and is actively being executed to ensure compliance with the revised minimum capital requirement for banks, as stipulated in the Financial Institutions (Revision of Minimum Capital Requirements) Instrument, 2022.

Preparation and approval of the financial statements

The accountant who prepared these financial statements is CPA Christine Namata- FM2097:

.. ..
Accountant

The financial statements of Finance Trust Bank Limited were approved and authorised for issue by the Board of Directors on 25 March 2025.

…………………………..	
Chairperson, Board of Directors	**Director**
…………………………..	………………………………
Managing Director	**Company Secretary**

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

Shape the future
with confidence

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF FINANCE TRUST BANK LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Finance Trust Bank Limited (the "Bank") set out on pages 11 to 78, which comprise the statement of financial position as at 31 December 2024, 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 Finance Trust Bank Limited as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act Cap. 106 of Uganda, the Financial Institutions Act 2004 (as amended) 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 of Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements of the Bank and in Uganda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of financial statements of the Bank and in Uganda. 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, 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.

Shape the future
with confidence

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

<table>
<tr><th colspan="2">Expected credit loss on loans and advances to customers</th></tr>
<tr>
<td>As described in Note 20 to the financial statements, as at 31 December 2024, the Bank has an allowance for expected credit losses of Shs 5,455 million (2023: Shs 4,706 million) charged on gross loans and advances to customers of Shs 361,790 million (2023: Shs 296,110 million). The expected credit losses (ECL) 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).
• Classification of assets into portfolios based on shared common characteristics.
• 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. 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 3 ,4(d), 6(a), and 20 to the financial statements for accounting policies and explanatory notes.</td>
<td>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>

Shape the future
with confidence

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Compliance with regulatory minimum capital requirements	
Under the Financial Institutions Act 2004 (as amended), each bank is required to hold a minimum level of regulatory paid-up capital of Shs 150 billion as at 31 December 2024 (2023: Shs120bn), unimpaired by losses. As disclosed in note 7 to the financial statements, as of 31 December 2024, the Bank's total capital unimpaired by losses was Shs 68.594 billion which was below the minimum regulatory requirement. Effective 16 December 2024, the Bank entered a Memorandum of Understanding (MoU) with Bank of Uganda which required that the Bank undertakes the corrective measures outlined in section 87 of the Financial Institutions Act. Bank of Uganda required the Bank to restore their capital to at least Shs 150 billion by 30 June 2025, and if this was not achieved, the Bank was to transition to a Tier II (Credit Institution) business on immediate expiry of the extended period. We have considered this to be a key audit matter since the implementation of the requirements and directives of the Memorandum of Understanding between the Bank and Bank of Uganda could have a significant effect on the Bank as disclosed in Note 7 to the financial statements. We also considered that the Bank's disclosures regarding the above matters are key to the user's understanding of the implications of not meeting the MoU requirements by 30 June 2025.	Our audit procedures included, but were not limited, to: • Understanding the regulatory minimum capital requirements, the Bank's capital position, the requirements and directives in the Memorandum of Understanding between the Bank and Bank of Uganda and external auditor's reporting obligations as stipulated in the applicable laws and regulations. • Evaluating the impact of the requirements and directives of the Memorandum of Understanding between the Bank and Bank of Uganda on the Bank's financial statements and operations. • Reviewing the Bank's contingent transition plan to assess the potential impact on the Bank and the going concern considerations. • Assessing whether the disclosures made in the financial statements in respect to the matter are complete and in accordance with IAS 1 *Financial Statements Presentation.*

Other information

The directors are responsible for the other information. Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, 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.

Shape the future
with confidence

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (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 Cap. 106 of Uganda, the Financial Institutions Act 2004 (as amended)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.

Shape the future
with confidence

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (Continued)

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

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Companies Act Cap. 106 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 the 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 Freda Kaheru Agaba – P0531.

Ernst & Young

....

Ernst & Young
Certified Public Accountants of Uganda
Kampala

....

CPA Freda Kaheru Agaba
Partner

28 April 2025

FINANCE TRUST BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 Shs '000	2023 Shs '000
Interest income calculated using effective interest method	8	99,498,859	88,734,229
Interest expense calculated using effective interest method	9	(30,117,149)	(27,692,755)
Net interest income		**69,381,710**	**61,041,474**
Fees and commission income	10	19,991,937	18,539,710
Net foreign exchange (loss)/ income	11	(100,739)	492,897
Other operating income	12	2,081,787	925,234
Total operating income		**91,354,695**	**80,999,315**
Net changes in impairment losses on financial assets	20 (b)	(4,315,696)	(6,314,848)
Depreciation & amortization	13 (a)	(9,132,768)	(7,195,267)
Operating expenses	13 (b)	(23,796,912)	(23,012,811)
Personnel expenses	14	(40,570,766)	(39,825,122)
Profit before income tax		**13,538,553**	**4,651,267**
Income tax expense	15(a)	(3,179,979)	(919,205)
Profit for the year		**10,358,574**	**3,732,062**
Other comprehensive income		-	-
Total comprehensive income for the year		**10,358,574**	**3,732,062**
Earnings per share - basic and diluted (Shs per share)	**32**	**0.174**	**0.063**

FINANCE TRUST BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	2024 Shs 000	2023 Shs 000
ASSETS			
Cash and balances with Bank of Uganda	16	72,487,916	61,137,336
Deposits and placements with other banks	17	46,678,427	11,642,841
Government securities at amortized cost	18	35,333,135	54,616,148
Loans and advances to customers	20(a)	356,335,573	291,404,425
Other assets	19	9,472,390	9,609,223
Current income tax recoverable	15(c)	-	112,109
Right of use asset	31(i)	11,686,233	14,185,184
Property and equipment	21	14,222,350	17,661,316
Intangible assets	22	4,828,865	5,101,273
TOTAL ASSETS		**551,044,889**	**465,469,855**
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	23	340,749,499	276,726,280
Deposits and balances due to other banking institutions	24	21,852,321	24,196,024
Borrowings	25	81,255,811	67,102,093
Lease liabilities	31(ii)	12,777,663	14,526,861
Other liabilities	26(a)	8,242,498	8,382,278
Contract liabilities	26(b)	5,236,842	4,437,082
Provisions	26(c)	373,628	693,990
Current tax payable	15(c)	685,674	-
Deferred tax liability	27	926,245	819,113
TOTAL LIABILITIES		**472,100,181**	**396,883,721**
EQUITY			
Share capital	28	59,657,984	59,657,984
Retained earnings		13,971,549	4,685,816
Regulatory credit risk reserve	20(c)	5,315,175	4,242,334
TOTAL EQUITY		**78,944,708**	**68,586,134**
TOTAL LIABILITIES AND EQUITY		**551,044,889**	**465,469,855**

The financial statements were approved for issue by the Board of Directors on 25 March 2025 and signed on its behalf by:

…………………………...
Chairperson, Board of Directors

………………………………
Director

…………………………...
Managing Director

………………………………
Company Secretary

FINANCE TRUST BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital Shs 000 Note 28	Regulatory reserve Shs 000 Note 20 (c)	Retained earnings Shs 000	Total Shs 000
31 December 2024				
At 1 January 2024	**59,657,984**	**4,242,334**	**4,685,816**	**68,586,134**
Total comprehensive income	-	-	10,358,574	10,358,574
Transfer from regulatory reserve	-	1,072,841	(1,072,841)	-
At 31 December 2024	**59,657,984**	**5,315,175**	**13,971,549**	**78,944,708**
31 December 2023				
At 1 January 2023	**27,785,402**	**5,432,637**	**34,719,456**	**67,937,495**
Total comprehensive income	-	-	3,732,062	3,732,062
Transfer from regulatory reserve	-	(1,190,303)	1,190,303	-
Rights issue transaction costs	-	-	(3,083,423)	(3,083,423)
Rights issue	31,872,582	-	(31,872,582)	-
At 31 December 2023	**59,657,984**	**4,242,334**	**4,685,816**	**68,586,134**

	Note	2024 Shs 000	2023 Shs 000
Cash flows from operating activities			
Interest receipts from interest bearing assets	17,18,20	90,556,097	80,283,615
Interest paid on customer deposits	23	(19,597,082)	(18,123,405)
Interest paid on deposits and balances due to other banking institutions	24	(665,573)	(382,028)
Interest paid on borrowings	25	(6,995,848)	(6,010,094)
Interest paid on leases	31(ii)	(2,408,245)	(1,330,287)
Net fee and commission receipts		20,906,660	18,023,675
Recoveries from loans previously written off	20(b)	2,745,270	2,068,212
Payments to employees and suppliers		(63,650,745)	(101,128,731)
Receipts for operating grants		1,984,853	454,961
Income tax paid	15(c)	(2,279,416)	(1,249,983)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities		**20,595,971**	**(27,394,065)**
Changes in operating assets and liabilities:			
Net changes in loans and advances to customers	20	(63,012,879)	(26,130,333)
Net changes in customer deposits	23	64,194,147	156,012
Net changes in deposits and placements due to other banks	24	(3,432,434)	10,581,674
Net changes in cash reserve requirement	30	(4,060,000)	(2,600,000)
Net changes in deposits and placements with other banks	17	(33,902,465)	47,082,216
Net changes in government securities at amortized cost	18	18,916,215	(34,451,110)
Net cash generated used in operating activities		**(701,445)**	**(32,755,606)**
Cash flows from investing activities			
Purchase of property and equipment	21	(1,951,346)	(7,959,828)
Purchase of intangible assets	22	(229,152)	(1,843,747)
Cash additions to right of use assets	31(i)	-	(89,564)
Proceeds from sale of property and equipment		147,433	26,157
Net cash used in investing activities		**(2,033,065)**	**(9,866,982)**
Cash flows from financing activities			
Receipts from borrowings	25	36,147,867	27,347,759
Repayments for borrowings	25	(22,497,002)	(13,555,601)
Payment of principal portion of lease liabilities	31(ii)	(2,781,292)	(2,850,893)
Net cash from financing activities		**10,869,573**	**10,941,265**
Net increase/(decrease) in cash and cash equivalents		8,135,063	(31,681,323)
Cash and cash equivalents at start of year		37,667,014	69,348,337
Cash and cash equivalents at end of year	**30**	**45,802,077**	**37,667,014**

1 REPORTING ENTITY

The Bank is established and registered in Uganda as a limited liability company in accordance with the Ugandan Companies Act. The registered office is located at:

Twed Plaza, Plot 22B, Lumumba Avenue
P O Box 6972
Kampala, Uganda

For the purposes of reporting under the Companies Act Cap. 106 of Uganda, it is important to note that the statement of financial position corresponds to the balance sheet, while the statement of comprehensive income in these financial statements corresponds to the profit or loss account.

2 BASIS OF ACCOUNTING AND MEASUREMENT

The financial statements have been prepared in accordance with and comply with the IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Companies Act Cap. 106 of Uganda, and the Financial Institutions Act 2004 (as amended), of Uganda. Details of the Bank's accounting policies are included in Note 3 and 4.

The financial statements are presented in Uganda Shillings (Shs), which is the Bank's functional currency. All amounts have been rounded to the nearest thousands (Shs000), unless otherwise stated. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies included in Note 4.

The preparation of financial statements is in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board that require the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the following notes;

3 USE OF JUDGEMENTS AND ESTIMATES

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of the bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

Note 4(d): establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

Assumptions and estimation of uncertainties

Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2024 is included in the following notes.

Note 4(d): impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

4 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' or 'interest expense' respectively in the Statement of comprehensive income using the effective interest method.

The effective interest method is a technique for determining the amortized cost of a financial asset or liability and distributing interest income or expenses over a specific time frame. The effective interest rate is the precise rate that discounts anticipated future cash transactions over the anticipated life of the financial instrument, or if relevant, over a shorter period, to the net carrying amount of the asset or liability. In the calculation of the effective interest rate, the Bank considers all contractual terms of the financial instrument, such as prepayment options, but does not factor in potential credit losses. This calculation encompasses all fees exchanged between parties to the contract that are an essential component of the effective interest rate, along with transaction costs, as well as any additional premiums or discounts.

When a financial asset, or a similar category of assets held by the Bank, has been devalued due to an impairment loss, interest income is recognized using the interest rate that was utilized to discount the future cash flows for the purpose of measuring the impairment loss.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Uganda Shillings ("Shs") which is the Bank's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of profit or loss. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

(c) Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities

(i) Classification and measurement of financial instruments

The Bank categorizes its financial assets into three primary classification groups determined by the asset's cash flow characteristics and business model assessment:

- Amortised cost;
- Fair Value through Other Comprehensive Income (FVOCI); and
- Fair Value through Profit or Loss (FVTPL).

Amortised cost
A Financial Asset is classified and measured at amortised cost (net of any write down for impairment) unless the asset is designated at FVTPL under the fair value option only if it meets the following two tests:

- Business model test: The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes).
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank recognises cash, balances with Bank of Uganda, deposits, and balances due from commercial banks in Uganda, loans and advances to customers, government securities, borrowings, lease liabilities, other liabilities and other assets at amortised cost.

Fair Value through Other Comprehensive Income (FVOCI)
A financial asset which is a debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As of December 31, 2024, the Bank did not possess any financial assets that were valued under the FVOCI framework.

Fair Value through Profit or Loss (FVTPL)
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTP. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

As of December 31, 2024, the Bank did not possess any financial assets that were valued under the FVTPL framework.

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)
To determine whether a financial asset should be classified as measured at amortised cost or FVOCI, an entity assesses whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding - i.e. the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity may apply the OCI election.

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. The definition of principal reflects the economics of the financial asset from the perspective of the current holder. This means that an entity assesses the asset's contractual cash flow characteristics by comparing the contractual cash flows to the amount that it actually invested.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(i) Classification and measurement of financial instruments (continued)

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI) (Continued)
'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considered the contractual terms of its financial assets. The Bank, through the Credit, Finance and Treasury departments will from time to time review the contractual terms of existing instruments and also review contractual terms of new products the Bank develops or invests in going forward. This includes assessing whether the financial asset contained 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 has considered;

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Contractual features that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, give rise to contractual cash flows that do not meet the SPPI criterion.

Interest rates on loans made by the Bank are based on the prevailing interest rate which currently are referenced to the Central Bank Rate. The prevailing rates are generally based on a Central Bank rate and also include a discretionary spread (Margin). In these cases, the Bank will assess whether the discretionary feature is consistent with the SPPI criterion by considering a number of factors, including whether:

- the borrowers are able to prepay the loans without significant penalties;
- the market competition ensures that interest rates are consistent between banks; and
- any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

Some of the Bank's loans may contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Business Model assessment
An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how Banks of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

- Held to Collect: The objective in this business model is to manage the financial assets by holding them and collecting the underlying contractual cash flows (instead of managing the overall return on the portfolio by both holding and selling the assets). In addition to this, the business considers the frequency, volume and timing of sales in prior periods, the reasons for such sales and the expectations about future sales activity.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Classification and measurement of financial instruments (continued)

Business Model assessment (Continued)

- Held to Collect and Sell: The Bank may also hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the entity's key management personnel have made a decision that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model.
- Held for Trading: A portfolio of financial assets that meets the definition of held for trading is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets
- Fair Value Option: The portfolio of financial assets meets the definition of FVTPL if:
  i) The financial instruments are acquired or incurred principally for the purpose of selling or repurchasing in the near term (this includes actual sale as well as synthetically selling off the risk through a derivative);
  ii) The instruments on initial recognition are part of a portfolio of identified financial instruments that are managed together for which there is evidence of a recent actual pattern of short-term profit taking.

Financial liabilities
The Bank classifies all financial liabilities as subsequently measured at amortised cost. Deposits from customers and other liabilities are also classified at amortised cost.

Reclassification
The Bank only reclassifies financial assets when management changes the business model for managing the financial assets. In that instance all affected financial assets are reclassified. Such changes are expected to be very infrequent, and are determined by the Bank's Senior Management as a result of external or internal changes.

Modification and de-recognition
A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy which applies to both micro and SME lending.

When the contractual terms of a financial asset are modified and the modification does not result in de-recognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(i) Classification and measurement of financial instruments (continued)

Modification and de-recognition (Continued)

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in de-recognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk. Improved repayment behaviour is inferred when the customer meets their loan obligations over a 12 months' observation period from date of modification.

Where a modification does not lead to de-recognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

When a financial asset is modified the Bank assesses whether this modification results in de-recognition. The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability. However, when the modification of a financial instrument not measured at FVTPL does not result in de-recognition, the Bank will recalculate the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities in lending and repurchase transactions.

Write-off
The Bank writes off financial assets, in whole or part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- Ceasing enforcement activity
- Where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Interest income recognition
According to IFRS 9 paragraph 5.4.1 interest revenue shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a. Purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
b. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Classification and measurement of financial instruments (continued)

According to IFRS 9 paragraph 5.4.2 an entity that, in a reporting period, calculates interest revenue by applying the effective interest method to the amortised cost of a financial asset in accordance with paragraph 5.4.1(b) (see (b), shall, in subsequent reporting periods, calculate the interest revenue by applying the effective interest rate to the gross carrying amount if the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the requirements in paragraph 5.4.1(b) were applied (such as an improvement in the borrower's credit rating). In the context of the FIA regulations, credit impaired accounts would refer to the substandard, doubtful and loss risk classifications.

Assets that are credit-impaired on initial recognition
According to IFRS 9 (7A.8.340) Purchased or Originated Credit Impaired (POCI) assets are assets that are credit-impaired on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract e.g. a default or past-due event;
- A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event that caused the asset to be credit-impaired. Instead, the combined effect of several events may cause financial assets to become credit impaired.

Measurement on initial recognition
On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime ECLs are incorporated into the calculation of the effective interest rate.

Subsequent measurement
The ECLs for POCI assets are always measured at an amount equal to lifetime ECLs. However, the amount recognised as a loss allowance for these assets is not the total amount of lifetime ECLs, but instead the changes in lifetime ECLs since initial recognition of the asset. Favourable changes in lifetime ECLs are recognised as an impairment gain, even if the favourable changes are more than the amount, if any, previously recognised in profit or loss as impairment losses.

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts

IFRS 9 applies a forward-looking ‘expected credit loss’ (ECL) model. The impairment model applies to the following financial instruments that are not measured at FVPL:

- financial assets that are debt instruments: This applies to the Bank’s loans and advances to customers, Government securities at amortised cost, balances due from other Banks, balances due from Bank and other assets;
- Lease and trade receivables – this applies to the Bank’s finance lease and trade receivables; and
- Loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets): This applies to the Bank’s off- balance sheet exposures where credit intervention is not required for the counterparty to access the credit facility.

No impairment loss is recognised on equity investments and financial assets measured at FVPL

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

The Bank recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Bank will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Bank will consider a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in Government securities; and
- other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.
- Loss allowances for trade and lease receivables will always be measured at an amount equal to lifetime ECLs.

The impairment requirements of IFRS 9 are complex and require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

For purposes of IFRS 9 there will be no difference between credit impaired and non-performing financial loans as stipulated in the FIA.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD). ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The general approach
- The simplified approach

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

The General Approach
Under the general approach, at each reporting date, an entity recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss. Essentially, an entity (and the Bank has complied with this requirement) must make the following assessment at each reporting date:

Stage 1: For credit exposures where there have not been significant increases in credit risk since initial recognition, an entity is required to provide for 12-month ECLs i.e. the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date (12-month ECL as per formula below).

$ECL12m = PD12m \times LGD12m \times EAD12m$

Stage 2: For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime (LT) ECLs, i.e., ECLs that result from all possible default events over the expected life of a financial instrument (ECL LT as per formula below).

$ECL\ LT = LT\sum T=1\ PDt \times LGDt \times EADt$

Stage 3: For credit exposures that are credit impaired and in default. Similar to stage 2 assets a loss allowance is required for lifetime ECLs however the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate. Otherwise the same ECL computation approach is apply just as Stage 2.

Definition of default
The definition of default, as used by the Bank, is that an obligor is in default where the following have occurred:

- When the obligor is past due more than 89 days for the portfolios that are classed as small and medium enterprise facilities & 29 days for the portfolio segment that is categorized as micro; and
- When the Bank considers that the obligor is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if held), collecting against a guarantee or other form of support, or filing a claim against an insurer.

The definition used is consistent with the definition of default used in the Bank’s internal credit risk management. It has also been used consistently across all components of the Expected Credit Loss (ECL) model. The definition used considers both arrears count and qualitative criteria.

The ECL model used by the Bank assigns stages to facilities based on the level of credit deterioration and arrears status.

A facility is categorised in Stage 1 if it is less than 30 days past due for the SME portfolio or 7 days past due for the micro loans portfolio or if it has not experienced a significant increase in credit risk. Credit impaired facilities are categorised in stage 3 with stage 2 consisting of facilities that have experienced a significant increase in credit risk.

The assessment of whether there has been a significant increase in credit risk is done by considering the change in the risk of default since origination. The increase in credit risk is deemed significant if a facility is more than 30 days past due for the SME portfolio or more than 7 days for the micro loans portfolio.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

The Bank qualitatively determines default, when the Bank considers that the obligor is unlikely to pay its credit obligations to the Bank in full without recourse by the Bank to actions such as realising security (if held), collecting against a guarantee or other form of support, or filing a claim against an insurer.

The assessment of whether credit risk has increased (or decreased) significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument rather than by considering an increase in ECL. Where the credit risk of a financial asset has decreased significantly then the financial asset will be re-categorised to stage 1.

However, for migration from Stage 3 to Stage 2, obligors are required to have paid three consecutive monthly instalments. Migration from Stage 2 to Stage 1 is subject to monitoring of the loan's monthly performance for a period of 90 days and occurs after two consecutive monthly repayments. Migration from Stage 3 to Stage 1 is none permissible.

Probability of default (PD)
In estimating its expected credit loss, the bank has calibrated its key IFRS 9 drivers to take into account both its internal credit risk experience and complimented the same with global best practice.

From a staging perspective, the bank has not only relied on the days past due information for each loan account but further applied a quantitative staging criterion to manage the process of upgrading customers from Stage 3 to Stage 2 and finally Stage 1. The bank recognizes the importance of reliably assessing the curing process for defaulted accounts and observing customers for a reliable period before upgrading their stage especially with the exhaustion of moratorium periods for restructured loans. This has helped to minimize variability in ECL outputs as customers migrate across the various stages.

For loss given default, the bank considers recovery both from cash collection as well as pledged collateral for secured facilities. Different collateral classes have adopted tailored recoverability assumptions (both in cost as well as time-to-realization) in line with the bank's internal experience as well as maintaining a minimum Loss Given Default floor, which is meant to cushion the bank from potentially inflated asset values and depressed actual property prices.

Forward-looking information has also been incorporated in the PD by including macroeconomic components in PD estimates using regression analysis (refer to note 4(d)(ii)). The Bank defines three possible economic scenarios: a base case, which is the likely scenario, established internally based on reliable referenced forecasts (usually the International Monetary Fund – IMF, Bank of Uganda – BOU, the Uganda Bureau of Statistics – UBOS & Fitch Solutions Data), and two less likely scenarios, one upside (Best case) and one downside (Worst case)

Scenarios	Original scenario	Further Downside scenario
Base	46%	10%
Upside	27%	10%
Downside	27%	80%

For Stress Testing & simulation purpose, the applicable weights for each of the scenarios is varied from the original scenario and impact to the bank's ECL provision assessed in a further downside scenario that has a higher downside weighting.

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

A further downward scenario results in a 3.77% overall increase in total ECLs as illustrated below:

Shs 000	Original scenario	Further Downside scenario
Stage 1	3,099,865	3,216,643
Stage 2	214,468	222,547
Stage 3	2,140,494	2,221,132
Total	5,454,827	5,660,322

The table below lists the macroeconomic factors considered in the internally developed FLI macroeconomic model over a five-year forecast period. The assumptions represent the absolute values for Private final consumption per capita (UGX) and LCU (2010 prices) which were found to be the statistically significant factors in predicting changes to the bank's default rate. The lending rate is the bank rate to meet short- and medium-term financing needs of the private sector while the private final consumption per capita is the sum of all household spending on goods and services within the economy as a proportion of the country population. From a correlation analysis with the bank's historical NPLs, the 2 factors had relatively higher correlation to the NPL directional trend.

At 31 December 2024	**Lending rate, %, average**	**Private final consumption per capita, LCU (2010 prices)**
5-year Average	18.30	2,284,261.47
Peak*	19.92	2,391,723.40

At 31 December 2023	**Lending rate, %, average**	**Private final consumption per capita, LCU (2010 prices)**
5-year Average	18.30	2,509,975.71
Peak*	19.92	2,913,083.24

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, customers are segmented into five rating classes as shown below:

Bank's internal ratings scale
For purposes of collective assessment of ECL, the Bank bands its financial assets into 2 broad categories of Micro and SME. The SME portfolio includes commercial (Shs 5million and above) & consumer facilities advanced in amounts while the micro loan portfolio includes all loans below Shs 5million (excluding consumer loans).

	Days past due		
Bank 's rating	**Micro Loans**	**SME Loans**	**Stage allocation**
Normal	0-7	0-29	1
Watch	8-29	30-89	2
Substandard	30-59	90-179	3
Doubtful	60-89	180 - 364	3
Loss	Over 89	Over 364 considered uncollectible	3

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

Expected credit losses (ECL) by segment as at 31 December 2024:

	Stage 1 - 12 months ECL (Shs '000)	Stage 2 – Lifetime ECL (Shs '000)	Stage 3 – Lifetime ECL (Shs '000)	Total (Shs '000)
SME	163,329,782	8,396,888	3,985,611	**175,712,281**
Micro	168,446,602	8,612,702	9,018,815	**186,078,119**
Gross carrying amount	**331,776,384**	**17,009,590**	**13,004,426**	**361,790,400**
Loss allowance	(3,099,865)	(214,468)	(2,140,494)	(5,454,827)
Net carrying amount	**328,676,519**	**16,795,122**	**10,863,932**	**356,335,573**

Expected credit losses (ECL) by segment as at 31 December 2023:

	Stage 1 - 12 months ECL (Shs '000)	Stage 2 – Lifetime ECL (Shs '000)	Stage 3 – Lifetime ECL (Shs '000)	Total (Shs '000)
SME	128,979,412	6,621,050	6,416,814	**142,017,276**
Micro	141,183,932	5,953,022	6,956,336	**154,093,290**
Gross carrying amount	**270,163,344**	**12,574,072**	**13,373,150**	**296,110,566**
Loss allowance	(2,444,700)	(192,199)	(2,069,242)	(4,706,141)
Net carrying amount	**267,718,644**	**12,381,873**	**11,303,908**	**291,404,425**

Loss Given default (LGD)

The LGD model uses a two-step approach for estimating the loss given default under different macroeconomic scenarios. This entails calculating the loss likelihood and severity of write-offs by separating defaults that were eventually written-off and those that were not. An estimate of the LGD is determined for both the defaults that were written-off and those that were not. The final LGD is a probability-weighted average of the LGD for defaults that were written-off and the LGD for defaults that were not written-off.

Historical data collected from the Bank's internal database spanning the period 2014 to 2024 has been used to determine the LGD. The data has been segmented by product to capture the unique characteristics of each cohort.

For facilities that have professionally valued collateral, the LGD has been computed based on expected recovery from sale of the collateral. The methodology used to determine the LGD generally gives a best estimate of the loss given default in line with IFRS 9 requirements.

Exposure at Default (EAD)

The EAD constitutes the total exposure amount and includes on-balance sheet and off balance sheet exposures. It is a combination of the facility's outstanding balance and unused commitments. For the unused commitments, the expected incremental drawdown for a facility is estimated by deriving a credit conversion factor. For facilities without unused exposures, the EAD is estimated considering the contractual rundown on the loans. This is performed using the loan contract features i.e. loan principal amount, contractual interest rate and contractual term.

In addition to the measurement of the impairment losses on loans and advances in accordance with IFRS 9 as set out above, the Bank is required by the Financial Institutions Act 2004 (as amended) to estimate losses on loans and advances as follows:

1) Specific provision for the loans and advances considered non performing (impaired) based on the criteria, and classification of such loans and advances established by the Financial Institutions Act, as follows:
   a) Substandard loans with arrears period from 90 to 179 days – 20%
   b) Doubtful loans and advances with arrears period from 180 to 364 days – 50%; and
   c) Loss with arrears period exceeding 364 days – 100% provision

4 Material accounting policy information (continued)

(d) Financial assets and liabilities (continued)

Exposure at Default (EAD)(continued)

2) General provision of 1% of credit facilities less provisions and suspended interest.

In the event that provisions computed in accordance with the Financial Institutions Act 2004 (as amended) exceed provisions determined in accordance with IFRS, the excess is accounted for as an appropriation of retained earnings. Otherwise no further accounting entries are made

(e) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the bank's trading activity.

(f) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. If any such indication exists, then the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Bank of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Impairment losses are recognised in profit or loss in expense categories consistent with the function.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the Carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(g) Property and equipment

"Work in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment is stated at historical cost net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of these assets. Subsequent expenditures 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. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to 'operating expenses' during the period in which they are incurred.

Freehold land is not depreciated while leased buildings (including leasehold improvements) are depreciated on a straight-line basis over the shorter of the estimated useful life and the remaining lease term.

Depreciation on other assets is calculated on reducing balance at annual rates estimated to write off the carrying values of assets over their expected useful lives.

4 Material accounting policy information (continued)

(g) Property and equipment (Continued)

The applicable depreciation rates of items of property and equipment are as follows:

Leased Buildings	Over the lease term
Motor vehicles	25%
Office equipment	20%
Computer Hardware	33.3%
Fixtures and fittings	12.5%

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively, if appropriate, at each balance sheet date.

The Bank assesses at each balance sheet date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For the purposes of assessing impairment, assets are Banked at the lowest levels for which there are separately identifiable cash flows (cash-generating units).
An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in "other income" in the Statement of profit or loss when the asset is derecognised.

(h) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (five years).

Costs associated with maintaining computer software programmes are recognised as an expense as they are incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

4 Material accounting policy information (continued)

(h) Intangible assets (Continued)

Derecognition of intangible assets occurs when the asset is disposed of or when no future economic benefits are expected from its use or disposal. Upon derecognition, any resulting gain or loss, determined by comparing disposal proceeds with the carrying amount of the asset at derecognition, is recognized in the statement of profit or loss in the period in which the derecognition occurs.

(i) Income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in the Statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.
Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Ugandan Income Tax Act. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled or the related deferred income tax asset is realised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Central Bank, treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Central Bank.

(k) Employee benefits

(i) Retirement benefit obligations
The Bank operates a defined Contribution Retirement Benefit scheme for all its permanent confirmed Senior Management employees. The Bank and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a retirement benefit plan that is not a defined contribution plan and defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Bank and employees.

The Bank's contributions to the defined contribution schemes are charged to the Statement of profit or loss in the year in which they fall due.

(ii) Other entitlements
The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

4 Material accounting policy information (continued)

(l) Customer deposits

Deposits from customers are measured at amortised cost using the effective interest rate method.

(m) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method.

(n) Share capital

Ordinary shares are classified as ‘share capital’ in equity and measured at the fair value of consideration receivable without subsequent re-measurement. Any premium received over and above the par value of the shares is classified as ‘share premium’ in equity.

(o) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(p) Leases

With the Bank as Lessee
The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.
The Bank has elected to separate non-lease component of taxes for leases of branches, office premises and accounts for the lease and non-lease components as separate components.

Right-of-use assets
The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. "The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and an estimate of costs to dismantle and remove any improvements made to branches or office premises. Right-of-use assets are depreciated on a straight-line basis over the lease term."

The right-of-use assets are presented separately on the statement of financial position and are subject to impairment in line with the Bank’s policy on impairment of non-financial assets.

Lease liabilities
At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the incremental borrowing rate. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

4 Material accounting policy information (continued)

(p) Leases (Continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents lease liabilities separately on the statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The rent expense amounts are disclosed in Note 13.

Leases of assets where the Bank has substantially all the risks and rewards of ownership are classified measured and recognised in line with the requirements of IFRS 16 leases. Finance leases are capitalised at the lease's commencement at the present value of the minimum lease payments. Further details on accounting for the bank's leases are provided in Note 31.

(ii) With the Bank as lessor
The Bank does not lease out any of its properties and equipment.

Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Where a lease is terminated, the un amortised asset and unpaid lease liability are derecognised through the profit or loss.

(q) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

4 Material accounting policy information (continued)

(r) Grants

Grants include assistance offered by government, government agencies and similar bodies whether local, national, or international in the form of transfers of resources in return for past, of future compliance with certain conditions relating to the operation of the Bank. Grants related to assets are those whose primary condition is that the Bank should purchase long-term assets.

Grants are recognised when there is reasonable assurance that the Bank will comply with the conditions attached to the grant and that the grant will be received.

Grants awarded towards the purchase of assets are netted off against the total purchase price in arriving at the carrying value of the asset. The grant is then recognised as income through profit or loss over the life of the asset by way of a reduction in the depreciation charge of the asset.

Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Deferred income tax asset/liability

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.

Tax losses cannot be utilised indefinitely; judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- Temporary differences related to investments in subsidiaries to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax 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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the bank’s business plans. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.
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, and Reflects uncertainty related to income taxes, if there is any.

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

4 Material accounting policy information (continued)

Critical accounting estimates and judgements in applying accounting policies (Continued)

(a) Deferred income tax asset/liability (Continued)

The Bank recognizes deferred tax assets or liabilities when qualifying deductible or taxable temporary differences, respectively, exist. Deferred tax assets are recognized to the extent that the entity expects to recover the carrying amount through future economic benefits, while deferred tax liabilities are recognized based on the probability of economic benefits flowing from the entity through tax payments in future periods.

The deferred tax liability is disclosed in more detail in Note 27. In 2024, the Bank recognised deferred tax liability of Shs992 Million (2023: Shs819 Million) in respect of decrease in taxable temporary differences. The deferred tax liability has been maintained in the balance sheet with an assumption that the bank will have economic benefits flowing from the entity through tax payments in future periods.

(b) Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL such as:

- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings for forward-looking scenarios for each type of product / market and associated ECL
- Establishing Banks of similar assets for the purposes of measuring ECL.

The expected credit loss allowance on loans and advances are disclosed in more detail in Note 20.

5 NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE BANK

The financial statements have been prepared in compliance with the standards and interpretations applicable for financial periods commencing on or after 1 January 2024.

New and amended standards and interpretations that were effective during the reporting period

The new and amended standards which are effective for annual periods beginning on or after 1 January 2024 had no impact on the Bank's financial statements. These are listed below;

- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

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 expected to have a material impact on the Bank's financial statements

IFRS 18 – Presentation and Disclosure in Financial Statements (Effective for annual periods on or after 1 January 2027)

In April 2024, the Board issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1. IFRS 18 introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information.

IFRS 18, and the consequential amendments to the other accounting standards, is effective for reporting periods beginning on or after 1 January 2027 and must be applied retrospectively. Early adoption is permitted and must be disclosed.

The directors are still making assessments of the impact of the systems to the Bank's financial reporting process and systems and intend to adopt the requirements 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

- Lack of exchangeability – Amendments to IAS 21 (Effective for annual periods on or after 1 January 2025)
- Classification and Measurement of Financial instruments- Amendments to IFRS 9 and IFRS 7(Effective for annual periods on or after 1 January 2026)
- Annual Improvements to IFRS Accounting Standards—Volume 11 (Effective for annual periods on or after 1 January 2026)
- Power Purchase Agreements – Amendments to IFRS 9 and IFRS 7 (Effective for annual periods on or after 1 January 2026)
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures Effective for annual periods on or after 1 January 2027)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting)

6 FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the financial risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate equilibrium between risk and return and minimise potential adverse effects on its financial performance.

The Treasury department under policies approved by the Board of Directors carries out financial Risk management. Through its treasury department, the Bank identifies, evaluates and hedges financial risks in close cooperation with other operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, and use of derivative and non-derivative financial instruments.

The carrying amounts for each class of financial instruments is included in the table below;

	2024 Ushs'000	2023 Ushs'000
Financial assets		
Measured at amortised cost		
Cash and balances with Bank of Uganda (Note 16)	72,487,916	61,137,336
Deposits and placements with other Banks (Note 17)	46,678,427	11,642,841
Government securities at amortised cost (Note 18)	35,333,135	54,616,148
Loans and advances to customers (Note 20(a))	356,335,573	291,404,425
Other assets (Note 19)	3,175,797	3,315,853
	514,010,848	**422,116,603**
Financial liabilities		
Measured at amortised cost:		
Customer deposits (Note 23)	340,749,499	276,726,280
Deposits and balances due to other banking institutions (Note 24)	21,852,321	24,196,024
Borrowings (Note 25)	81,255,811	67,102,093
Other liabilities (Note 26(a))	2,585,025	3,534,208
Lease liabilities (Note 31(ii))	12,777,663	14,526,861
	459,220,319	**386,085,466**

The Bank does not hold any financial instruments that are measured at fair value.

(a) Credit risk

Credit risk, defined as the potential financial loss stemming from the failure of a customer or counterparty to meet contractual obligations, primarily emanates from the Bank's exposure to Loans and advances to customers. The Bank rigorously manages and assesses credit risk exposure, consolidating various dimensions including individual obligor default risk, as well as evaluating broader factors such as country and sector risk.

Changes in credit risk during the reporting period were notably driven by the persistent effects of the geopolitical tensions, and tightened monetary policies impacting businesses, especially those struggling to recover from pandemic-related shocks. The agricultural portfolio faced additional challenges due to adverse underwriting gaps, changes in the climate which affected the seasonal yields. The bank's risk management response included a thorough reassessment of underwriting protocols, refining credit scoring models, and strengthening risk mitigation strategies.

Credit risk is the most important risk for the Bank's business; management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is centralised in the credit risk management team within the Risk department. The Credit risk management team reports regularly to the Board of Directors.

6 Financial risk management (Continued)

The contractual carrying amount for loans and advances to customers written off by the bank as at 31 December 2024 and that were which are still subject to enforcement activities was Shs6billion (2023: Shs9billion).

(i) Credit risk measurement

Loans and advances (including commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Bank has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

Probability of default

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgement. They are validated, where appropriate, by comparison with externally available data. The Bank segments its clients into five rating classes in line with the provisions of the Financial Institutions Act 2004 (as amended), of Uganda.

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, customers are segmented into five rating classes as shown below and these remained unchanged even during period:

Bank's rating	**Description of the grade**
1	Standard and current
2	Watch
3	Substandard
4	Doubtful
5	Loss

(ii) Risk limit control and mitigation policies

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent reviews. The Board of Directors approves limits on the level of credit risk by product, industry sector and by country regularly.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing lending limits where appropriate.

6 Financial risk management (Continued)

(iii) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over communal and/or business assets such as premises, inventory and accounts receivable' and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

***(iv)* Credit related commitments**

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets:

	2024 Shs 000	2023 Shs 000
Bank Balances with Bank of Uganda (Note 16)	33,767,535	34,332,522
Deposits and placements with other banks (Note 17)	21,852,321	11,642,841
Loans and advances to customers (Note 20 (a))	356,335,573	291,404,425
Government securities at amortised cost (Note 18)	35,333,135	54,616,148
Other assets (Note 19)	3,175,797	3,315,853
	450,464,361	**395,311,789**

Credit risk exposures relating to off-balance sheet items (Note 34):

Guarantee and performance bonds	9,314,154	6,332,770
Undrawn loan commitments	879,770	873,846
Total exposure	**460,658,285**	**402,518,405**

The above table represents the Bank's credit risk exposure at 31 December 2024, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.

77.4% (2023: 72.4%) of the total maximum exposure is derived from loans and advances to customers and 7.7% (2023: 13.6%) represents government securities at amortised cost. Off balance sheet items form 2.2% (2023: 1.8%) of the maximum exposure.

6. Financial risk management (continued)

(a) Credit risk (continued)

All loans and advances to customers other than to salaried individuals are secured by collateral in the form of charges over land and buildings and/or and machinery and other assets, corporate and personal guarantees or assignment of contract proceeds.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advances portfolio and debt securities based on the following:

- the Bank exercises stringent controls over the granting of new loans;
- 91% (2023: 91%) of the loans and advances portfolio are neither past due nor impaired; and
- 4.3% (2023: 4.3%) of the loans and advances portfolio is past due but not impaired.
- 5% (2023: 5%) of the loans and advances portfolio is impaired.

Loans and advances	**2024 Shs 000**	**2023 Shs 000**
Neither past due nor impaired	331,776,384	270,163,344
Past due but not impaired	17,009,590	12,574,072
Impaired	13,004,426	13,373,150
Gross carrying amount	**361,790,400**	**296,110,566**
Less: allowance for impairment (Note 20(a))	(5,454,827)	(4,706,141)
Net amount	**356,335,573**	**291,404,425**

Impairment of Loans and advances

The credit quality of the portfolio of loans and advances was assessed in reference to the IFRS 9 staging criteria. The portfolio buckets at close of the year were as below:

	2024 Shs 000	**2023 Shs 000**
Stage 1	331,776,384	270,163,344
Stage 2	17,009,590	12,574,072
Stage 3	13,004,426	13,373,150
	361,790,400	**296,110,566**

The following table sets out information about the credit quality of loans and advances to customers measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Loans and advances to customers at amortized cost

For the year ended 31 December 2024, amounts at Shs 000

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Normal	331,776,384	3,501,357	564,567	335,842,308
Watch	-	13,508,233	378,445	13,886,678
Sub Standard	-	-	5,567,661	5,567,661
Doubtful	-	-	3,591,112	3,591,112
Loss	-	-	2,902,641	2,902,641
	331,776,384	**17,009,590**	**13,004,426**	**361,790,400**
ECL allowance	(3,099,865)	(214,468)	(2,140,494)	(5,454,827)
Carrying amount	**328,676,519**	**16,795,122**	**10,863,932**	**356,335,573**

6 Financial risk management (continued)

(a) Credit risk (continued)

Loans and advances to customers at amortized cost (Continued)

For the year ended 31 December 2023, amounts at Shs 000

	Stage 1	Stage 2	Stage 3	Total
Normal	270,163,344	4,026,886	491,375	274,681,605
Watch	-	8,547,186	1,074,881	9,622,067
Sub standard	-	-	4,142,903	4,142,903
Doubtful	-	-	4,273,110	4,273,110
Loss	-	-	3,390,881	3,390,881
	270,163,344	**12,574,072**	**13,373,150**	**296,110,566**
ECL allowance	(2,444,700)	(192,199)	(2,069,242)	(4,706,141)
Carrying amount	**267,718,644**	**12,381,873**	**11,303,908**	**291,404,425**

Expected credit losses on loans and advances to customers

For the year ended 31 December 2024, amounts at Shs 000

	Stage 1	Stage 2	Stage 3	Total
Normal	3,099,865	43,235	97,767	3,240,867
Watch	-	171,233	45,322	216,555
Sub Standard	-	-	845,821	845,821
Doubtful	-	-	645,291	645,291
Loss	-	-	506,293	506,293
	3,099,865	**214,468**	**2,140,494**	**5,454,827**

For the year ended 31 December 2023, amounts at Shs 000

	Stage 1	Stage 2	Stage 3	Total
Normal	2,444,700	82,806	59,076	2,586,582
Watch	-	109,393	114,666	224,059
Sub Standard	-	-	623,634	623,634
Doubtful	-	-	643,297	643,297
Loss	-	-	628,569	628,569
	2,444,700	**192,199**	**2,069,242**	**4,706,141**

All other exposures are under Normal classification for internal grading and stage 1 under IFRS 9 classification and therefore the carrying amounts and ECLs are all stage 1.

For balances with Bank of Uganda and government securities at amortised cost, all these have Bank of Uganda as the counter party. The ECL allowance for exposures with Bank of Uganda are relatively low throughout the current and prior years respectively. Bank of Uganda has not defaulted in local or foreign currency debt in recent history and has a track record of managing its budget even in difficult times and on that basis these balances continue to be considered as having low or negligible risk of default.

6 Financial risk management (continued)

(a) Credit risk (continued)

Concentration Risk

A concentration risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic sector or other conditions. The analyses of credit risk concentrations presented below are based on the economic sector in which they are engaged.

Sector	Gross Loans & advances			
	2024		2023	
	Shs 000	(%)	Shs 000	(%)
Agriculture	135,930,690	38%	117,277,140	40%
Manufacturing	4,119,413	1%	3,299,961	1%
Trade	59,618,577	16%	41,288,183	14%
Transport and Communication	4,581,951	1%	3,583,631	1%
Electricity and Water	1,447,043	0%	2,093,063	1%
Building, Mortgage, Construction and Real Estate	101,414,594	28%	68,919,800	23%
Business Services	14,979,260	4%	12,402,818	4%
Community, Social & Other Services	13,725,167	4%	17,756,532	6%
Personal Loans and Household Loans	25,973,705	7%	29,489,438	10%
	361,790,400	**100%**	**296,110,566**	**100%**

6 Financial risk management (continued)

(a) Credit risk (continued)

Collateral held and other credit enhancements
The Bank holds collateral and other credit enhancements against its credit exposures.

The Bank only holds collateral for loans and advances to customers. There are no credit enhancements for the other financial assets.

There are no financial assets for which ECLs have not been recognised because of collateral.

The table below sets out the principal types of collateral held against loans and advances to customers

At 31 December 2024

		Fair value of collateral and credit enhancements held						
	Maximum exposure to credit risk Shs 000	Cash and cash equivalent Shs 000	Chattels and moveable equipment Shs 000	Guarantees and debentures Shs 000	Land and buildings Shs 000	Others Shs 000	Total Shs 000	ECL Shs 000
Stage								
Stage 1	328,676,519	2,650,420	7,838,722	60,308,606	1,814,554,529	1,676,200	1,887,028,477	3,099,865
Stage 2	16,795,122	12,000	407,088	4,653,028	125,782,223	378,800	131,233,139	214,468
Stage 3	10,863,932	-	2,320,640	6,491,828	128,242,400	176,000	137,230,868	2,140,494
Total	**356,335,573**	**2,662,420**	**10,566,450**	**71,453,462**	**2,068,579,152**	**2,231,000**	**2,155,492,484**	**5,454,827**

At 31 December 2023

		Fair value of collateral and credit enhancements held						
	Maximum exposure to credit risk Shs 000	Cash and cash equivalent Shs 000	Chattels and moveable equipment Shs 000	Guarantees and debentures Shs 000	Land and buildings Shs 000	Others Shs 000	Total Shs 000	ECL Shs 000
Stage								
Stage 1	267,718,644	14,283,507	3,542,551	68,018,026	1,083,719,117	56,411,348	1,225,974,549	2,444,700
Stage 2	12,381,873	392,700	147,725	3,692,980	58,150,558	4,387,657	66,771,620	192,199
Stage 3	11,303,908	450,600	431,200	3,315,041	66,395,312	6,002,098	76,594,251	2,069,242
Total	**291,404,425**	**15,126,807**	**4,121,476**	**75,026,047**	**1,208,264,987**	**66,801,103**	**1,369,340,420**	**4,706,141**

For both years presented above, the fair value of collateral fully covered the maximum exposure to credit risk for loans and advances to customers and as such there is nil exposure to credit risk after considering the fair value of collaterals.

6 Financial risk management (continued)

(a) Credit risk (continued)

Loans and advances to customers

The bank extends credit to its customers through five major products i.e. Business loans, Agricultural Loans, Asset financing, Consumer loans and mobile phone loans. The general creditworthiness of customer tends to be the most relevant indicator of credit quality of a loan extended. However, collateral provides additional security and the Bank generally requests that all borrowers provide it. The Bank may take collateral in the form of cash, Legal Mortgage, customary land Kibanja, Marketable chattels and guarantees.

Because of the Bank's focus on customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to its customers. Valuation of collateral is updated when the loan is put on a watch list and the loan is monitored more closely by the branch management in collaboration with Bank recovery unit and external support sought for difficult cases.

For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determining the management credit risk actions.

At 31 December 2024, the net carrying amount of credit-impaired loans and advances to customers amounted to Shs10.9billion (2023: Shs11billion) and the fair value of identifiable collateral (mainly mortgaged properties) held against those loans and advances amounted to Shs137billion (2023: Shs 76.6billion). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against it.

Amounts arising from ECL allowances

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 4.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for corporate exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product, repayment frequency, and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process, and Financial Institutions Act 2004 (as amended), of Uganda.

The Bank will deem the credit risk of a particular exposure to have increased significantly since initial recognition if;

- Quantitative; the counterparty is past due for more than 30 days
- Qualitative; the account has been restructured for financial distress reasons
- The physical state of collateral has since deteriorated from the time of accessing the credit facility.
- The customer is declared bankruptcy

6 Financial risk management (continued)

(a) Credit risk (continued)

Renegotiated loans

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review to take care of changes. The restructured portfolio as at 31st December 2024 was Shs.7.7bn (2023: Shs7.7bn).

Repossessed collateral

During 2024, the Bank did not re-possess any collateral held as security. The Bank's policy is to dispose of repossessed properties as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property not sold by year-end is classified in the balance sheet within "other assets".

(b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

A separate team in the treasury department regularly reviews sources of liquidity. The purpose is to ensure that the Bank maintains a wide diversification by provider, product and term.
In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The Treasury department monitors liquidity ratios on a daily basis. Details of net liquid assets to deposits from customers and other banking institutions at the reporting date and during the reporting period were as follows:

	2024	**2023**
At 31 December	36.09%	28.91%
Average for the Period	35.47%	33.15%
Maximum for the Period	42.77%	40.69%
Minimum for the Period	24.93%	28.91%

The bank's liquidity position remained largely stable throughout the period as revealed by the average position of 35.47%. The above average position at end of year was mainly attributable to growth the bank's liquid assets especially towards the end of the year.

The table below presents the undiscounted cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the balance sheet date and to the Bank from financial assets by expected maturity dates.

6 Financial risk management (continued)

(b) Liquidity risk (continued)

At 31 December 2024	Carrying amount Shs 000	Total undiscounted amount Ushs'000	Up to 1 month Shs 000	1-3 months Shs 000	3-12 months Shs 000	1-5 years Shs 000	Over 5 years Shs 000
Financial assets							
Cash and balances with Bank of Uganda	72,487,916	72,534,918	72,534,918	-	-	-	-
Deposits and placements with other banks	46,678,427	46,743,401	36,636,141	-	10,107,260	-	-
Government securities at amortised cost	35,333,135	35,890,537	10,000,000	7,000,000	7,072,393	11,818,144	-
Loans and advances to customers	356,335,573	367,150,619	14,936,673	16,564,791	134,026,820	194,873,081	6,749,254
Other assets	3,175,797	3,175,797	3,175,797	-	-	-	-
Total financial assets	**514,010,848**	**525,495,272**	**137,283,529**	**23,564,791**	**151,206,473**	**206,691,225**	**6,749,254**
Financial liabilities							
Customer deposits	340,749,499	360,262,261	66,530,930	83,629,595	210,101,736	-	-
Deposits and balances due to banking institutions	21,852,321	22,038,781	14,052,781	7,986,000	-	-	-
Borrowings	81,255,811	90,560,269	569,871	3,352,703	38,952,919	47,684,776	-
Lease liabilities	12,777,663	19,252,450	1,164,236	1,776,470	6,493,663	9,818,081	-
Other liabilities	2,585,025	2,585,025	2,585,025	-	-	-	-
Total financial liabilities	**459,220,319**	**494,698,786**	**84,902,843**	**96,744,768**	**255,548,318**	**57,502,857**	**-**
Off Balance Sheet Items							
Guarantee and performance bonds	9,314,154	9,314,154	2,470,200	1,272,995	5,570,960	-	-
Commitments to lend	879,770	879,770	879,770	-	-	-	-
Total off balance sheet items	**10,193,924**	**10,193,924**	**3,349,970**	**1,272,995**	**5,570,960**	**-**	**-**
Net liquidity position							
At 31 December 2024	**44,596,605**	**20,602,562**	**49,030,716**	**(74,452,972)**	**(109,912,805)**	**149,188,368**	**6,749,254**

6 Financial risk management (continued)

(b) Liquidity risk (continued)

At 31 December 2023

	Carrying amount Shs 000	Total undiscounted amount Ushs'000	Up to 1 month Shs 000	1-3 months Shs 000	3-12 months Shs 000	1-5 years Shs 000	Over 5 years Shs 000
Financial assets							
Cash and balances with Bank of Uganda	61,137,336	61,137,336	61,137,336	-	-	-	-
Deposits and placements with other banks	11,642,841	12,979,623	5,506,104	1,320,575	6,152,944	-	-
Government securities at amortised cost	54,616,148	57,542,771	5,500,000	-	21,276,923	30,765,848	-
Loans and advances to customers	291,404,425	377,848,548	6,853,748	86,444,123	120,979,623	163,571,054	-
Other receivables	3,315,853	3,315,853	3,315,853	-	-	-	-
Total financial assets	**422,116,603**	**512,824,131**	**82,313,041**	**87,764,698**	**148,409,490**	**194,336,902**	**-**
Financial liabilities							
Customer deposits	276,726,280	280,491,771	51,799,426	65,112,047	163,580,298	-	-
Deposits and balances due to banking institutions	24,196,024	25,224,163	6,394,684	-	18,829,479	-	-
Borrowings	67,102,093	73,470,442	-	1,765,738	19,819,784	51,884,920	-
Lease liability	14,526,861	21,882,385	-	-	4,497,754	17,384,631	-
Other liabilities	3,534,208	3,534,208	3,534,208	-	-	-	-
Total financial liabilities	**386,085,466**	**404,602,969**	**61,728,318**	**66,877,785**	**206,727,315**	**69,269,551**	**-**
Off Balance Sheet Items							
Guarantee and performance bonds	6,332,770	6,332,770	666,901	1,159,404	4,506,465	-	-
Commitments to lend	873,846	873,846	873,846	-	-	-	-
Total off balance sheet items	**7,206,616**	**7,206,616**	**1,540,747**	**1,159,404**	**4,506,465**	**-**	**-**
Net liquidity position							
At 31 December 2023	**28,824,521**	**101,014,546**	**19,043,976**	**19,727,509**	**(62,824,290)**	**125,067,351**	**-**

6 Financial risk management (Continued)

(b) Liquidity risk (continued)

Compliance with Financial Institutions (Liquidity) Regulations, 2023

In line with the Financial Institutions (Liquidity) Regulations, 2023, the Bank is expected to comply with the new liquidity standards, including the Liquidity Coverage Ratio (LCR), the Net Stable Funding Ratio (NSFR), and the implementation of an Internal Liquidity Adequacy Assessment Process (ILAAP). The Bank is currently in the process of aligning its internal liquidity risk management framework and reporting practices to fully comply with these requirements.

As of 31 December 2024, the Bank conducted an assessment of its liquidity position as below:

i) **Liquid Assets Ratio:** The Bank maintained a liquid assets ratio of 36.09% (2023:28.91%), which is above the minimum regulatory requirement of 20%, indicating adequate short-term liquidity coverage.

ii) **Liquidity Coverage Ratio (LCR)**: Based on internal calculations, the Bank's LCR as at 31 December 2024 stood at 672.72% (2023:160%) compared to the regulatory minimum of 100%. This indicates the Bank’s capacity to meet its 30-day net liquidity outflows under stress conditions.

The Bank is currently enhancing its systems and processes to monitor and report the Net Stable Funding Ratio (NSFR) and complete the Internal Liquidity Adequacy Assessment Process (ILAAP) in accordance with the implementation timeline prescribed by the Bank of Uganda.

(c) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates, foreign currencies and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO). The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by the ALCO) and for the day-to-day implementation of those policies.

Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

6 Financial risk management (continued)

(c) Market risk (continued)

Credit risk (Continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2024 and 2023. During the reporting period, the Bank only traded in USD and the financial instruments held as at 31 December 2024 are included in the table below.

USD balances	**2024 Shs 000**	**2023 Shs 000**
At 31 December		
Assets		
Cash and balances with Bank of Uganda	3,165,359	2,392,960
Deposits and balances due from other banking institutions	857,328	486,490
Total assets	**4,022,687**	**2,879,450**
Liabilities		
Customer deposits	1,402,687	1,379,638
Lease liabilities	3,366,921	4,012,116
Other liabilities	254	288
Total liabilities	**4,769,862**	**5,392,042**
Net on-balance sheet position	**(747,175)**	**(2,512,592)**
Net off-balance sheet position	**-**	**-**
Overall open position At 31 December	**(747,175)**	**(2,512,592)**

Sensitivity analysis

Foreign exchange risks – appreciation/depreciation of Ushs against other currencies by 10%

The Bank's assets are typically funded in the same currency as that of the business transacted to eliminate foreign exchange exposure. However, the Bank maintains an open position within the tolerance limits approved by the Board within the Bank of Uganda prescriptions.

The foreign exchange risks sensitivity analysis is based on the following assumptions:

- Foreign exchange exposures represent net currency positions of all currencies other than Uganda shillings.
- The currency risk sensitivity analysis is based on the assumption that all net currency positions are highly effective.

The base currency in which the Bank's business is transacted in Uganda shillings.

The Bank performs forward looking sensitivity analysis for foreign exchange rate risk to which the Bank is exposed at the end of each reporting period, showing how profit or loss and equity would have been affected by changes in the exchange rates that were reasonably possible at reporting date. The Bank has considered the annual official mid-rate change history as published by Bank of Uganda for the last four financial years 2024. The Bank has considered to therefore use 10% appreciation/depreciation in deriving the sensitivity analysis to foreign exchange rate changes.

6 Financial risk management (continued)

(c) Market risk (continued)

Credit risk (Continued)

The table below sets out the impact on future earnings of an incremental 10% parallel fall or rise in all foreign exchange rates as at year-end. Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below:

31 December 2024	10% appreciation		10% depreciation	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
USD	(74,717)	(52,302)	74,717	52,302
Net impact	**(74,717)**	(52,302)	74,717	52,302

31 December 2023	10% appreciation		10% depreciation	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
USD	(149,952)	(104,967)	149,952	104,967
Net impact	**(149,952)**	**(104,967)**	**149,952**	**104,967**

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. Board ALCO is the monitoring body for compliance with these limits and is assisted by Treasury in its day-to-day monitoring activities. These day-to-day activities include; monitoring changes in the Bank's interest rate exposures, which include the impact of the Bank's outstanding or forecast debt obligations and changes to exposures arising from interbank offered rates reform. Board ALCO sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly. Treasury is responsible for implementing these strategies by putting in place the individual hedge arrangements. Many of those hedge arrangements are designated in hedging relationships for accounting purposes. The Bank manages interest rate risk through gap analysis.

Gap Analysis

Under this, interest sensitive assets and liabilities are classified into various time bands according to their maturity in the case of fixed interest rates, and residual maturity towards next pricing date in the case of floating exchange rates. The size of the gap in a given time band is analysed to study the interest rate exposure and the possible effects on the Bank's earnings.

In order to evaluate the earnings exposure, interest Rate Sensitive Assets (RSA) in each time band are netted off against the interest Rate Sensitive Liabilities (RSL) to produce a repricing gap for that time band. A positive gap indicates that the Bank has more RSA than RSL. A positive of asset sensitive gap means that an increase in market interest rates could cause an increase in the net interest margin and vice versa. Conversely, a negative or liability sensitive gap implies that the Bank's net interest margin could decline as a result of increase in market rates and vice versa.

The equity of the company is sensitive to changes in interest rates. Fluctuations in interest rates can impact the fair value of financial instruments, such as bonds and other interest-bearing securities, held by the company. These changes in fair value are recorded in other comprehensive income and directly affect the equity position of the company. The degree of sensitivity to interest rate changes is monitored and assessed regularly by management to manage potential risks to equity and overall financial stability. All government securities were held to collect and had no immediate impact on equity. The Bank has considered the Central Bank Rate change history as done by the Bank of Uganda which generally averages between 50 basis points to 100 basis points at each change instance. The Bank has considered to use 100 basis points in deriving the sensitivity analysis to interest rate changes.

6 Financial risk management (continued)

(c) Market risk (continued)

At 31 December 2024, if the interest rates on interest bearing assets and liabilities had been 100 basis points higher/lower with all other variables held constant, the pre-tax profit/loss for the year would have been Shs 7.13 Billion (2023: Shs2.91billion) higher/lower. Effect on equity is Shs 4.99 billion (2023: Shs 2.04 billion). The sensitivity analysis has been considered for only loans and advances to customers being the only financial instruments that are sensitive to changes in interest rates. All other interest linked financial instruments have fixed interest rates and as such are not considered sensitive to changes in interest rates.

The table below summarises the Bank's exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

At 31 December 2024	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non- interest bearing	Total
Financial assets						
Cash and balances with Bank of Uganda	-	-	-	-	72,487,916	**72,487,916**
Deposits and placements with other banks	35,729,080	-	10,093,211	-	856,136	**46,678,427**
Government securities at amortized cost	9,914,822	6,893,202	6,810,923	11,714,188	-	**35,333,135**
Loans and advances to customers	13,895,917	16,179,782	131,623,709	194,636,165	-	**356,335,573**
Other assets	-	-	-	-	3,175,797	**3,175,797**
Total financial assets	**59,539,819**	**23,072,984**	**148,527,843**	**206,350,353**	**76,519,849**	**514,010,848**
Financial liabilities						
Customer deposits	42,757,048	53,745,748	135,024,867	-	109,221,836	**340,749,499**
Deposits and balances due to other banking institutions	13,992,205	7,860,116	-	-	-	**21,852,321**
Borrowings	569,871	2,859,976	34,659,698	43,166,266	-	**81,255,811**
Lease liability	-	-	272,813	12,504,850	-	**12,777,663**
Other liabilities	-	-	-	-	2,585,025	**2,585,025**
Total financial liabilities	**57,319,124**	**64,465,840**	**169,957,378**	**55,671,116**	**111,806,861**	**459,220,319**
Interest re-pricing gap						
At 31 December 2024	**2,220,695**	**(41,392,856)**	**(21,429,535)**	**150,679,237**		

6 Financial risk management (continued)

(c) Market risk (continued)

At 31 December 2023	Up to 1 month	1-3 months	3-12 months	Over 1 year	Non- interest bearing	Total
Financial assets						
Cash and balances with Bank of Uganda	-	-	-	-	61,137,336	**61,137,336**
Deposits and placements with other banks	-	1,120,575	5,016,162	-	5,506,104	**11,642,841**
Government securities at amortised cost	5,000,000	12,500,000	21,276,923	15,839,225	-	**54,616,148**
Loans and advances to customers	6,853,748	21,204,289	109,775,334	153,571,054	-	**291,404,425**
Other assets	-	-	-	-	3,315,853	**3,315,853**
Total financial assets	**11,853,748**	**34,824,864**	**136,068,419**	**169,410,279**	**69,959,293**	**422,116,603**
Financial liabilities						
Customer deposits	180,435,062	65,112,047	8,795,298	-	22,383,873	**276,726,280**
Deposits and balances due to other banking institutions	3,379,000	6,210,000	14,607,024	-	-	**24,196,024**
Borrowings	-	1,765,738	13,451,435	51,884,920	-	**67,102,093**
Lease liability	-	-	3,688,183	10,838,678	-	**14,526,861**
Other liabilities	-	-	-	-	3,534,208	**3,534,208**
Total financial liabilities	**183,814,062**	**73,087,785**	**40,541,940**	**62,723,598**	**25,918,081**	**386,085,466**
Interest re-pricing gap						
At 31 December 2023	**(171,960,314)**	**(38,262,921)**	**95,526,479**	**106,686,681**		

6 Financial risk management (continued)

(c) Market risk (continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to ever be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

(d) Fair values of financial assets and liabilities

The fair value of financial instruments at amortised cost and other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the Bank at the balance sheet date.

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like futures.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of input parameters like Bank of Uganda published data.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. The Bank considers relevant and observable market prices in its valuations where possible.

At 31 December 2024 (2023: Nil), the Bank did not have financial assets and liabilities measured at fair value.

7. CAPITAL MANAGEMENT

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

- To comply with the capital requirements as established by the Financial Institutions Act 2004 (as amended), of Uganda and implementing the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018;
- To safeguard the Bank’s ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank for supervisory purposes. The required information is filed with the Central Bank on a monthly basis. Capital adequacy compliance is assessed based on the Basel I computation, however, Bank of Uganda is currently monitoring compliance with the Basel II requirements which will form part of the proposed amendments to the Capital Adequacy Regulations.

7 CAPITAL MANAGEMENT (CONTINUED)

Under the Financial Institutions Act 2004 (as amended), of Uganda, each Bank is required to: (a) hold the minimum level of regulatory paid up capital of Shs150 billion as at December 31, 2024; (2023: Shs120bn) (b) maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets at or above the required minimum of 12.5%; and (c) maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.

The Bank was not in compliance with this requirement by Shs90 billion as at 31 December 2024 (2023: Shs60 billion). In line with Section 86(2)(b) of the Financial Institutions Act 2004 (as amended) of Uganda, the Bank submitted a capital restoration plan to Bank of Uganda, which was approved.

In line with the capital restoration plan, the Bank is still in the process of concluding the equity investment transaction with Access Bank Plc. During the year, the Central Bank of Nigeria (CBN) granted Access Bank Plc a conditional no-objection to invest in FTB. The conditions included the divesture of their investments in four countries. Access Bank Plc has since started the divesture process to close on the conditions issued by CBN and based on the progress, the directors have reasonable expectation that the process will be completed by 30 June 2025. Once Access Bank Plc completes the divesture, the funds required to recapitalize the Bank, shall be made available to FTB.

The Bank signed a Memorandum of Understanding with Bank of Uganda which included a requirement that Finance Trust Bank undertakes the corrective measures outlined in section 87 of the Financial Institutions Act. The Bank was given 180 days to restore their capital to at least 150 billion and if this was not achieved by 30 June 2025, the Bank was to transition to a Tier II on immediate expiry of the extended period.

The directors have assessed the Bank’s potential downgrade from Tier I to Tier II business. The impact on the business is anticipated to majorly arise from restrictions to offer certain products and services and to participate in certain activities. The restrictions arising from the downgrade could expose the Bank to direct and indirect consequences with impacts on the earnings sufficiency and capital adequacy. The anticipated impact is summarised below:

- **Products and services offering**
  The Bank would cease offering products including acceptance of demand deposits withdrawable by cheque of otherwise, provision of overdrafts and short to medium term loans, provision of foreign exchange facilities, acceptance and discounting of bills of exchange, provision of financial and investment advice, participation in inter-bank clearing systems, give guarantees, bonds or other forms of collateral, and accept and place third party drafts and promissory notes connected with the operations in which they take part.
- **Financial viability of the Bank**
  The impact of the downgrade was assessed in terms of the impact on the Bank’s profit or loss and statement of financial position. The assessment done indicated that the Bank would continue to be profitable and had sufficient reserves to sustain the business as Tier II. From the assessments done in all scenarios, the directors concluded that the Bank shall remain a going concern after the transition.

Other impacts are expected on the Bank’s business operations i.e. internal processes, people and systems as well as the brand and market presence. The directors have drawn strategies to minimise the impact of these impacts on the Bank.

The Bank’s total capital is divided into two tiers:

- Tier 1 capital (core capital) which upon applying the provisions of the Financial Institutions (Capital Adequacy Requirement) Regulation 2018, comprise Permanent Shareholders’ Equity (issued and fully paid-up common shares and irredeemable, non-cumulative preference shares), share premium, prior years’ retained profits, Net after-tax profits for current year-to-date and general reserves (permanent, unencumbered and able to absorb losses) less deductions of goodwill and other intangible assets, current year’s losses, investments in unconsolidated financial subsidiaries, deficiencies in provisions for losses, prohibited loans to insiders and other deductions determined by the Financial Institutions Act 2004 (as amended) and implementing the Financial Institutions (Capital Adequacy Requirements) Regulations, 2018.
- Tier 2 capital (supplementary capital) which upon applying the provisions of the Financial Institutions (Capital Adequacy Requirement) Regulation 2018, comprise revaluation reserves on fixed assets, unencumbered general provisions for losses, subordinated debt and Hybrid capital instruments.

7 CAPITAL MANAGEMENT (CONTINUED)

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future growth of the Bank. The Bank monitors the adequacy of its capital using the above ratios of core capital and total capital as set out in the Financial Institutions Act 2004 (as amended), of Uganda. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets and off-balance-sheet commitments at a weighted amount to reflect their relative risk. The leverage ratio is determined by dividing the core capital of the Bank by the Total assets of the bank plus off-balance sheet items.

Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed 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 Government of Uganda instruments have a zero-risk weighting, which means that no capital is required to support the holding of these assets. Balances with other Banks have a 20% or 50% or 100% risk weighting balance because they carry some risk, while, property and equipment as well as Right of Use Asset carry 100% risk weighting, meaning that it must be supported by total capital equal to 12% of the carrying amount. Other asset categories have intermediate weightings.

Off-balance-sheet credit related commitments and forwards are taken into account by applying different categories of credit conversion factors, designed to convert these items into balance sheet equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for balance sheet assets.

In 2022, Bank of Uganda (BOU) issued Basel II guidelines for the computation of capital adequacy for commercial banks in Uganda. The computation for minimum capital requirements was amended to include all pillar 1 risks namely credit risk (including counterparty risk), market risk, and operational risk. Additionally, the credit risk weights for various asset classes was enhanced to include provisions for retail mortgages, regulatory retail exposures, Corporate SMEs, Items in Transit, other financial institutions, securities companies, defaulted exposures and trading book which qualify for the deminimis rule.

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.

The table below summarises the composition of regulatory capital and the ratios of the Bank at 31 December 2024 determined in accordance with the Financial Institutions Act:

	2024 Shs 000	2023 Shs 000
Core capital (Tier 1)		
Shareholder's equity	59,657,984	59,657,984
Retained earnings	13,971,549	4,685,816
Intangible assets	(4,828,865)	(5,101,273)
Unrealized foreign exchange gains	(206,627)	(866,418)
Total core capital	**68,594,041**	**58,376,109**
Supplementary capital (Tier 2)		
General provisions (FIA)	3,555,744	2,039,538
Tier 2 capital	**3,555,744**	**2,039,538**
Total capital (Tier 1 and Tier 2)	**72,149,785**	**60,415,647**

The risk weighted assets are measured by means of a hierarchy of four risk categories classified according to the nature of the asset and reflecting an estimate of the credit risk associated with each asset and counterparty, taking into account any eligible collateral or guarantees.

A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

7 CAPITAL MANAGEMENT (CONTINUED)

The table below summarises the composition of the risk weighted assets of the Bank at 31 December:

	Note	Balance sheet amount 2024 Shs 000	2023 Shs 000	Risk weight%	Risk weighted amount 2024 Shs 000	2023 Shs 000
Balance sheet assets (net of provisions)						
Cash and balances with Bank of Uganda	16	72,487,916	61,137,336	0%	-	-
Deposits and placements with other banks (Banks)	17	46,678,427	11,642,841	20%	9,335,685	2,328,568
Government securities at amortised cost	18	35,333,135	54,616,148	0%	-	-
Loans and advances to customers		354,348,841	289,076,298	100%	354,348,841	289,076,298
Other assets	19	9,472,390	9,609,223	100%	9,472,390	9,609,223
Current income tax recoverable	15(C)	-	112,109	100%	-	112,109
Property and equipment	21	14,222,350	17,661,316	100%	14,222,350	17,661,316
Right of use assets	31(i)	11,686,233	14,185,184	100%	11,686,233	14,185,184
On balance sheet assets		**544,229,292**	**458,040,455**		**399,065,499**	**332,972,698**
Market risk adjustment:						
Foreign exchange risk		2,618,596	1,499,211		2,618,596	1,499,211
Off-balance sheet positions	34					
Guarantees		9,314,154	6,332,770	100%	9,314,154	6,332,770
Commitments to lend		879,770	873,846	50%	439,885	436,923
Off balance sheet items		**10,193,924**	**7,206,616**		**9,754,039**	**6,769,693**
Total risk-weighted assets					**411,438,134**	**341,241,602**

* The loans and advances to customers are derived based on FIA requirements. Shown below is a reconciliation of the amount recorded under IFRS on the statement of financial position to the amount recorded for FIA purposes:

Loans and advances to customers	**2024 Shs '000**	**2023 Shs '000**
Gross loans and advances (Note 19(a))	361,790,400	296,110,566
Less specific provisions (FIA)	(7,214,259)	(6,908,937)
Cash collateral	(227,300)	(125,331)
Net Loans and advances	**354,348,841**	**289,076,298**

Capital ratios per Financial Institutions Act (FIA)		
Core capital	68,594,041	58,376,109
Total capital	72,149,785	60,415,647
FIA minimum ratio capital requirement		
Core capital (12.5%) (2023: 12.5%)	16.67%	17.11%
Total capital (14.5%) (2023:14.5%)	17.54%	17.70%

7 CAPITAL MANAGEMENT (CONTINUED)

Leverage ratio requirements

The Bank must at all times comply with a leverage ratio equal to or greater than 6% of the total balance sheet and off-balance sheet assets. The ratio is calculated as the core capital of the Bank divided by the total balance sheet of the Bank plus off-balance sheet exposure and is expressed as a percentage.

An assessment of the capital position shows that the Bank has adequate prudential capital to meet the minimum regulatory requirements.

Tier 1 leverage ratio computation	2024 Shs '000	2023 Shs '000
(a) Core capital	68,594,041	58,376,109
(b) Total Assets	551,044,889	465,469,855
(c) Off-balance sheet items	10,193,924	7,206,616
Leverage ratio (6%) (a/b+c)	12.22%	12.35%

8 INTEREST INCOME CALCULATED USING EFFECTIVE INTEREST METHOD

	2024 Shs '000	2023 Shs '000
Loans and advances to customers	88,802,683	77,540,095
Government securities at amortised cost	4,932,498	6,276,304
Deposits and placements with other banks	5,763,678	4,917,830
	99,498,859	**88,734,229**

Interest income relates to income earned on financial assets held at amortised cost and is calculated using effective interest method.

9 INTEREST EXPENSE CALCULATED USING EFFECTIVE INTEREST METHOD

	2024 Shs '000	2023 Shs '000
Customer deposits	19,426,154	17,872,624
Deposits and balances due to other financial institutions	1,754,304	1,074,436
Lease liabilities	1,437,990	1,565,043
Borrowed funds	7,498,701	7,180,652
	30,117,149	**27,692,755**

Interest expense is computed using the effective interest method.

10 FEE AND COMMISSION INCOME

	2024 Shs '000	2023 Shs '000
Transactional fees and commission income	12,361,275	10,198,487
Amortization of loan service fees	7,630,662	7,565,713
Other credit related fees and commission income	-	775,510
	19,991,937	**18,539,710**

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies under IFRS 15
Credit related and transactional fees	The Bank provides banking services to its customers, including account management, provision of overdraft facilities, foreign currency transactions, and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees are charged to the customer's account when the transaction takes place. Periodic servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognized over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.

11 NET FOREIGN EXCHANGE INCOME

	2024 Shs '000	2023 Shs '000
Net realized foreign exchange gains/(losses)	284,814	(373,521)
Net Unrealized foreign exchange (losses)/gains	(385,553)	866,418
	(100,739)	**492,897**

12 OTHER OPERATING INCOME

	2024 Shs '000	2023 Shs '000
Grant income	1,152,370	107,111
Other income	929,417	818,123
	2,081,787	**925,234**

Other income is mainly composed of gains on disposal of Property and equipment and downward adjustment for prior year expense accruals and provisions. Shs995 million of the grant income relates to loan origination incentive from Aceli for the disbursement of qualifying loans. The income is recognized in line with the grant terms and matching loan disbursements. Shs156 million relates to amortization of capital grants, systematically released to income over the useful life of the related assets in accordance with IAS 20 par 24.

13 OPERATING AND ADMINISTRATIVE EXPENSES

	2024 Shs '000	2023 Shs '000
a) Depreciation & amortization		
Depreciation of property and equipment (Note 21)	4,374,205	2,935,342
Depreciation of Right of Use (Note 31(i))	3,397,226	3,483,906
Amortization of Intangibles (Note 22)	1,361,337	776,019
	9,132,768	**7,195,267**
b) Operating expenses		
Auditor's remuneration*	307,620	344,948
Legal fees	414,164	254,599
Professional fees	61,642	438,755
Rent and rates on short-term leases and low value leases	328,521	30,695
VAT on rent payments	539,301	293,408
Advertising and promotion	2,372,233	2,773,781
Communication and technology	3,668,362	2,970,619
Maintenance of office building	327,010	307,424
Maintenance of office equipment	706,486	520,801
Printing & stationery	1,982,813	1,923,618
Security expenses - office guards	1,437,428	1,238,036
Security expenses - cash in transit	595,564	598,327
Insurance expenses	2,386,585	1,877,437
Bank charges	635,212	690,270
Loan recovery costs	2,021,460	1,314,835
Agent banking related costs	1,587,484	1,851,197
Transport and travel	755,966	742,262
Motor vehicle maintenance	1,540,997	1,820,227
Utilities costs	1,575,183	1,185,611
Others expenses**	552,881	1,835,961
	23,796,912	**23,012,811**

*The fees for the 2024 audit services are Shs307 million and there were no non-assurance services provided by the external auditor for the year ended 31 December 2024.

**Other expenses include miscellaneous expenses, costs for newspapers and periodicals, printing of ATM cards, loss on disposal/derecognition of non-financial assets and costs for maintenance and repairs of ATM machines, generators, office furniture and fixtures.

14 PERSONNEL EXPENSES

	2024 Shs '000	2023 Shs '000
Salaries and wages	30,805,681	30,113,341
NSSF contributions	3,193,165	3,132,049
Defined contribution scheme contributions	2,012,876	1,719,368
Other staff costs	4,559,044	4,860,364
	40,570,766	**39,825,122**

Other staff costs relate to non-payroll employee costs majorly training, staff welfare, medical and recruitment costs.

15 INCOME TAX EXPENSE

(a) Income tax charge

	2024 Shs '000	2023 Shs '000
Current income tax charge	3,072,847	1,249,983
Deferred income tax charge/(credit)*	107,132	(330,778)
	3,179,979	**919,205**

*The current income tax charge for the year ended 31 December 2024 includes a prior year under charge of Shs107 million (2023: Nil) as indicated in the reconciliation in note 15(b).

(b) Reconciliation of income tax charge

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

	2024 Shs'000	2023 Shs'000
PROFIT BEFORE INCOME TAX	**13,538,553**	**4,651,267**
Tax at applicable rate of 30% (2023: 30%)	4,061,566	1,395,380
Adjustment for tax effect of:		
Expenses not deductible for tax purposes**	(280,581)	246,810
Income subject to withholding tax at 20%/10% as final tax	(1,479,749)	(1,874,974)
Withholding tax as final tax	986,500	1,249,983
Prior year income tax under charge	(107,757)	(97,994)
Income tax charge	**3,179,979**	**919,205**

**The expenses not deductible for tax purposes comprise of expenses relating to staff welfare expenses, club membership for senior management, funeral expenses and the non-qualifying portion of depreciation.

(c) Current income tax (payable)/recoverable

Current income tax recoverable was as follows:

	2024 Shs 000	2023 Shs 000
At 1 January	112,109	112,109
Adjustment for prior year items	(4,352)	-
Current income tax charge	(3,072,847)	(1,249,983)
Income tax paid	2,279,416	1,249,983
At 31 December	**(685,674)**	**112,109**

16 CASH AND BALANCES WITH BANK OF UGANDA

	2024 Shs '000	2023 Shs '000
Balances with Bank of Uganda	33,814,537	34,380,311
Expected credit losses	(47,002)	(47,789)
Carrying amount Bank Balances with Bank of Uganda	**33,767,535**	**34,332,522**
Cash on hand	38,720,381	26,804,814
	72,487,916	**61,137,336**

The movement in the ECL allowance is analyzed further below;

	2024	2023
At 1 January	(47,789)	(78,953)
Decrease during the year	787	31,164
At 31 December	**(47,002)**	**(47,789)**

All balances with Bank of Uganda are stage 1 for purposes of ECLs and there has been no increase in credit risk during the year. The movements disclosed all happen with stage 1 and no transfers between stages.
The bank balances with Bank of Uganda were classified as normal under the internal credit grading system.

ECLs dropped due to improvement in the macro-economic environment and considering that Bank of Uganda balances are already considered low risk. No significant impact to ECLs due to changes in the gross carrying amount noted.

17 DEPOSITS AND PLACEMENTS WITH OTHER BANKS

	2024 Shs 000	2023 Shs 000
Balances with Banks in Uganda	6,334,161	5,675,253
Placements with other banking institutions - in Uganda	40,409,240	5,983,794
Gross carrying amount	**46,743,401**	**11,659,047**
Expected credit losses	(64,974)	(16,206)
	46,678,427	**11,642,841**

The movement in the ECL allowance is analyzed further below;

	2024	2023
At 1 January	(16,206)	(89,541)
(Increase)/decrease for the year	(48,768)	73,335
At 31 December	**(64,974)**	**(16,206)**

The movement in the carrying amount of deposits and placements with other banks is analysed below;

	2,024 Shs 000	2,023 Shs 000
At 1 January	11,642,841	64,328,776
Net additions/(maturities)*	34,746,948	(52,571,894)
Accrued during the year	5,763,678	4,917,830
Interest received	(5,523,808)	(5,105,206)
ECL movement	48,768	73,335
At 31 December	**46,678,427**	**11,642,841**

*For purposes of the statement of cashflows, the net additions/(maturities) are adjusted for movements in the amounts that qualify for classification as cash and cash equivalents.

All deposits and placements with other banks are stage 1 for purposes of ECLs and there has been no significant increase in credit risk during the year. The movements disclosed all happen with stage 1 and no transfers between stages.

The deposits with other banks were classified as normal under the internal credit grading system.

ECLs held on deposits and placements with other banks reduced increased due to growth in the gross carrying amount which is also the exposure.

18 GOVERNMENT SECURITIES AT AMORTISED COST

	2024 Shs 000	2023 Shs 000
Treasury bills	18,553,603	32,243,985
Treasury bonds	16,779,532	22,372,163
	35,333,135	**54,616,148**
Maturity profile;		
Maturing within 90 days	17,000,000	17,500,000
Maturing later than 90 days	18,890,537	38,402,802
Undiscounted cashflows	**35,890,537**	**55,902,802**
Unearned interest	(507,716)	(1,167,750)
Gross carrying amount	**35,382,821**	**54,735,052**
Expected Credit Losses	(49,686)	(118,904)
Carrying amount	**35,333,135**	**54,616,148**
The movement in the ECL allowance is analyzed further below;		
At 1 January	(118,904)	(17,375)
Decrease/ (increase) for the year	69,218	(101,529)
At 31 December	**(49,686)**	**(118,904)**

The movement in the government securities at amortised cost carrying amount is analysed below;

	2,024 Shs 000	2,023 Shs 000
At 1 January	54,616,148	11,723,797
Net (maturities)/ additions*	(18,916,215)	41,951,110
Accrued during the year	4,932,498	6,276,304
Interest received	(5,230,078)	(5,233,534)
ECL movement	(69,218)	(101,529)
At 31 December	**35,333,135**	**54,616,148**

*For purposes of the statement of cashflows, the net (maturities). additions are adjusted for movements in the amounts that qualify for classification as cash and cash equivalents.

All government securities at amortised cost are stage 1 for purposes of ECLs and there has been no significant increase in credit risk during the year. The movements disclosed all happen with stage 1 and no transfers between stages.

The government securities at amortised cost were classified as normal under the internal credit grading system.

The ECLs held on government securities decreased due to drop in the gross carrying amount and exposure.

19 OTHER ASSETS

	2024 Shs 000	2023 Shs 000
Financial assets		
Settlement accounts	1,499,814	789,239
Western union & Money Gram receivables	1,322,377	2,234,844
Fees and commission receivable	428,490	543,453
	3,250,681	**3,567,536**
Expected credit losses*	(74,884)	(251,683)
	3,175,797	**3,315,853**
Non-financial assets		
Prepayments	3,191,732	3,028,671
Deferred staff expense	2,436,323	2,519,649
Stationery stock items	668,538	745,050
	9,472,390	**9,609,223**

***The movement in the ECL allowance is analyzed further below;**

	2024	2023
At 1 January	(251,683)	-
Decrease/(increase) for the year	176,799	(251,683)
At 31 December	**(74,884)**	**(251,683)**

Prepayments majorly relate to staff deferred costs and prepaid insurance.

All other assets in scope of IFRS 9 remain in Stage 1 for ECL purposes, with no significant increase in credit risk during the year. The overall ECL has declined due to the closure of receivables related to prior-year ECLs. The movements disclosed are all within stage 1 and there are no transfers between stages.

20 LOANS AND ADVANCES TO CUSTOMERS

a) Analysis of loan advances to customers by category:

	2024 Shs 000	2023 Shs 000
Term loans	359,663,026	295,198,288
Overdrafts	2,127,374	912,278
Total gross loans and advances	**361,790,400**	**296,110,566**
Expected credit losses	(5,454,827)	(4,706,141)
Net loans and advances	**356,335,573**	**291,404,425**

The weighted average effective interest rate on loans and advances to customers was 25.9% (2023: 26.9%).

Movements in provisions for impairment of loans and advances are as follows:

	Stage1 Shs 000	Stage2 Shs 000	Stage3 Shs 000	Total Shs 000
Year ended 31 December 2024				
At 1 January	2,444,700	192,199	2,069,242	4,706,141
Increase for the year	655,165	22,269	1,137,402	1,814,836
Written off during the year	-	-	(1,066,150)	(1,066,150)
At 31 December	**3,099,865**	**214,468**	**2,140,494**	**5,454,827**

20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

a) Analysis of loan advances to customers by category (Continued)

Year ended 31 December 2023

	Stage1 Shs 000	Stage2 Shs 000	Stage3 Shs 000	Total Shs 000
At 1 January	2,092,834	314,866	3,173,790	5,581,490
Increase/ (decrease) in ECL for the year	351,866	(122,667)	573,819	803,018
Written off during the year	-	-	(1,678,367)	(1,678,367)
At 31 December	**2,444,700**	**192,199**	**2,069,242**	**4,706,141**

The analysis in the gross carrying amount of the loans is analysed below;

	2024 Shs 000	2023 Shs 000
At 1 January	296,110,566	271,394,709
Net extensions during the year	63,012,879	26,130,333
Accrued interest during the year	88,802,683	77,540,095
Interest received	(79,802,211)	(69,944,875)
Write off	(6,333,517)	(9,009,696)
At 31 December	**361,790,400**	**296,110,566**

20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

a) Analysis of loan advances to customers by category (Continued)

In Shs 000	Stage 1 Gross carrying amount	Stage 1 ECL	Stage 2 Gross carrying amount	Stage 2 ECL	Stage 3 Gross carrying amount	Stage 3 ECL	Total Gross carrying amount	Total ECL
At 1 January 2024	**270,163,344**	**2,444,700**	**12,574,072**	**192,199**	**13,373,150**	**2,069,242**	**296,110,566**	**4,706,141**
New exposures	310,932,966	2,339,181	13,688,997	264,563	8,510,361	1,163,780	333,132,324	3,767,524
Payments and assets derecognized	(255,614,648)	(1,656,838)	(1,577,357)	(64,341)	(3,316,205)	(231,509)	(260,508,210)	(1,952,688)
Transfer out of stage 1	(1,490,419)	(126,264)	1,118,083	24,122	372,336	102,142	-	-
Transfer out of stage 2	8,395,904	99,086	(8,794,205)	(202,075)	398,301	102,989	-	-
Staff loans below market interest rate fair valuation difference	(610,763)	-	-	-	-	-	(610,763)	-
Write off	-	-	-	-	(6,333,517)	(1,066,150)	(6,333,517)	(1,066,150)
At 31 December 2024	**331,776,384**	**3,099,865**	**17,009,590**	**214,468**	**13,004,426**	**2,140,494**	**361,790,400**	**5,454,827**
At 1 January 2023	**237,889,443**	**2,092,834**	**14,889,999**	**314,866**	**18,615,267**	**3,173,790**	**271,394,709**	**5,581,490**
New exposures	273,869,849	1,832,089	9,473,182	211,644	5,223,651	507,448	288,566,682	2,551,181
Payments and assets derecognized	(238,429,847)	(1,434,342)	(12,131,904)	(89,721)	(3,387,293)	(224,100)	(253,949,044)	(1,748,163)
Transfer out of stage 1	(3,630,381)	(59,288)	3,584,248	52,332	46,133	6,956	-	-
Transfer out of stage 2	1,356,365	13,407	(3,241,453)	(296,922)	1,885,088	283,515	-	-
Staff loans below market interest rate fair valuation difference	(892,085)	-	-	-	-	-	(892,085)	-
Write off	-	-	-	-	(9,009,696)	(1,678,367)	(9,009,696)	(1,678,367)
At 31 December 2023	**270,163,344**	**2,444,700**	**12,574,072**	**192,199**	**13,373,150**	**2,069,242**	**296,110,566**	**4,706,141**

20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

a) Analysis of loan advances to customers by category (Continued)

Commentary on changes in ECLs year on year at different stages
The ECLs on the stage 1 increased by 27% due to the increase in gross loans which ultimately had an impact on the exposure included the ECL modelling. The bank has put in place stringent measures and created Recovery department that is solely focused on the recovery and follow up of defaulted loans.

Despite the bank's recovery efforts, ECLs on stage 2 and 3 facilities equally increased by 12% and 3% due to slow down in recoveries attributable to prolonged legal and enforcement processes, further impacting the ECLs.

(b) Net changes in impairment losses on financial assets charged to profit or loss

	2024 Shs 000	2023 Shs 000
Decrease in ECLs on balances with Bank of Uganda (note 16)	(787)	(31,164)
Increase/(decrease) in ECLs on Bank balances (note 17)	48,768	(73,335)
(Decrease) /increase in ECLs on government securities at amortised cost (note 18)	(69,218)	101,529
(Decrease)/increase in ECLs on other assets (note 19)	(176,799)	251,683
Increase in ECLs on loans and advances to customers (note 20(a))	1,814,836	803,018
Direct write off of loans and advances to customers	5,267,367	7,331,329
Recovery of previously written off loans and advances to customers	(2,568,471)	(2,068,212)
	4,315,696	**6,314,848**

(c) Regulatory Credit Risk Reserve

The regulatory credit risk reserve represents an appropriation from retained earnings to comply with the Financial Institutions (Credit Classification and Provisioning) Regulations, 2005. The reserve represents the excess of impairment provisions on loans and advances to customers determined in accordance with these regulations over the impairment provisions determined in accordance with IFRS 9 Financial Instruments. The reserve is not available for distribution to shareholders.

The reserve as at year-end was determined as follows:

	2024 Shs 000	2023 Shs 000
IFRS 9 – Expected credit losses	**5,454,827**	**4,706,141**
Total provisions as required under the FIA		
Specific provisions	7,214,258	6,908,937
General provisions	3,555,744	2,039,538
	10,770,002	**8,948,475**
Regulatory credit risk reserve (Excess of FIA provisions above IFRS provisions)	**5,315,175**	**4,242,334**

21 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles/ Cycles	Computer Hardware	Fixtures, fittings and equipment	Work in progress	Total
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Year Ended 31 December 2024						
Opening carrying amount	**521,843**	**2,979,208**	**1,671,752**	**11,577,361**	**911,152**	**17,661,316**
Additions	-	357,000	26,180	1,030,389	537,777	1,951,346
Transfers to intangibles	-	-	-	-	(859,777)	(859,777)
Depreciation charge	(8,228)	(978,792)	(864,856)	(2,522,329)	-	(4,374,205)
Disposals	-	(873,707)	(284,582)	(526,146)	-	(1,684,435)
Depreciation on disposals	-	792,399	258,565	477,141	-	1,528,105
Closing carrying amount	**513,615**	**2,276,108**	**807,059**	**10,036,416**	**589,152**	**14,222,350**
Cost	603,734	5,806,924	7,625,982	24,825,992	589,152	39,451,784
Accumulated depreciation	(90,119)	(3,530,816)	(6,818,923)	(14,789,576)	-	(25,229,434)
Carrying amount	**513,615**	**2,276,108**	**807,059**	**10,036,416**	**589,152**	**14,222,350**
Year Ended 31 December 2023						
Opening carrying amount	**530,070**	**2,682,289**	**1,384,133**	**7,456,788**	**2,138,453**	**14,191,733**
Additions	-	1,087,447	938,618	5,167,518	766,245	7,959,828
Transfers to intangibles	-	-	-	-	(1,521,350)	(1,521,350)
Transfers from WIP	-	-	-	472,196	(472,196)	-
Depreciation charge	(8,227)	(773,235)	(644,047)	(1,509,833)	-	(2,935,342)
Disposals	-	(70,400)	(27,445)	(28,613)	-	(126,458)
Depreciation on disposals	-	53,107	20,493	19,305	-	92,905
Closing carrying amount	**521,843**	**2,979,208**	**1,671,752**	**11,577,361**	**911,152**	**17,661,316**
Cost	603,734	6,323,631	7,884,383	24,321,750	911,152	40,044,650
Accumulated depreciation	(81,891)	(3,344,423)	(6,212,631)	(12,744,389)	-	(22,383,334)
Carrying amount	**521,843**	**2,979,208**	**1,671,752**	**11,577,361**	**911,152**	**17,661,316**

Work in progress includes costs related to Kamuli new branch setup (primarily civil works), the Anti Money Laundering system upgrade, and the budgeting tool, all pending completion.

22 INTANGIBLE ASSETS

	2024 Shs 000	2023 Shs 000
Net book amount at 1 January	5,101,273	2,512,195
Additions: Computer Software	229,152	1,843,747
Transfer from property and equipment	859,777	1,521,350
Amortization	(1,361,337)	(776,019)
Carrying amount at 31 December	**4,828,865**	**5,101,273**
Cost	13,100,835	12,011,906
Accumulated depreciation	(8,271,970)	(6,910,633)
Carrying amount	**4,828,865**	**5,101,273**

The intangible assets relate to computer software acquired to support the Bank's operations.

23 CUSTOMER DEPOSITS

	2024 Shs 000	2023 Shs 000
Current and demand deposits	100,402,485	22,383,873
Savings accounts	187,817,683	180,435,062
Fixed deposit accounts	52,529,331	73,907,345
	340,749,499	**276,726,280**

The weighted average effective interest rate on customer deposits was 5.73% (2023:6.46%).

The movement in customer deposits during the year is analysed below;

	2,024 Shs 000	2,023 Shs 000
At 1 January	276,726,280	276,821,049
Net deposits	64,194,147	156,012
Accrued interest during the year	19,426,154	17,872,624
Interest paid during the year	(19,597,082)	(18,123,405)
At 31 December	**340,749,499**	**276,726,280**

24 DEPOSITS AND BALANCES DUE TO OTHER BANKING INSTITUTIONS

	2023 Shs 000	2023 Shs 000
Money market borrowing*	10,594,973	3,003,616
Term deposits	11,257,348	21,192,408
	21,852,321	**24,196,024**

Term deposits with other banking institutions are interest bearing. The weighted average effective interest rate on deposits and balances due to other banking institutions was 13.91% (2023: 12.37%).

The movement in the carrying amount of deposits and balances due to other banking institutions is analysed below;

	2,024 Shs 000	2,023 Shs 000
At 1 January	24,196,024	12,921,942
Net (repayments)/ receipts	(3,432,434)	10,581,674
Accrued interest during the year	1,754,304	1,074,436
Interest paid	(665,573)	(382,028)
At 31 December	**21,852,321**	**24,196,024**

25 BORROWINGS

	2024 Shs 000	2023 Shs 000
Uganda Development Bank	1,126,432	2,187,405
aBi Finance	9,556,169	13,262,906
Uganda Energy Credit Capitalisation Company	-	62,500
East Africa Development Bank	14,816,725	4,652,790
Symbiotics S.A.	38,668,490	43,572,302
Loan from PSFU	12,072,987	-
Agricultural Credit Facility	5,015,008	3,364,190
	81,255,811	**67,102,093**

The movement in borrowings is analyzed as follows:

	2024 Shs 000	2023 Shs 000
At 1 January	67,102,093	52,139,377
Receipts for borrowings	36,147,867	27,347,759
Accrued interest	7,498,701	7,180,652
Interest paid	(6,995,848)	(6,010,094)
Repayments for borrowings	(22,497,002)	(13,555,601)
At 31 December	**81,255,811**	**67,102,093**

The bank was in compliance with all borrowing covenants as stipulated in its borrowing agreements. Other details are indicated below.

25 BORROWINGS (CONTINUED)

The terms and conditions relating to borrowings are tabulated below:

Lender	Amount advanced	Currency	Interest	Tenure (Years)	Start date	Maturity date	Key covenants	Security	Purpose of loan	2024 Amount Shs 000	2023 Amount Shs 000
UDB Loan(2)	5,000,000,000	UGX	6.00%	5	11/12/2020	11-Dec-25	None	1. Lien over the performing loan portfolio. 2. Guarantee by Uganda Women's Trust	To facilitate on-lending to qualifying agriculture and agro processing activities	1,126,432	2,187,405
aBi 2022 Ltd Loan	4,000,000,000	UGX	12.28%	5	11/03/2021	11/03/2026	Quarterly debt equity ratio not exceeding 3:1	Debenture over the performing loan portfolio encumbered up to 120%	Financing agribusinesses and technology initiatives	1,112,606	2,002,691
aBi 2020 Ltd Loan	3,000,000,000	UGX	12.28%	5	29/06/2021	29/06/2026				1,051,413	1,652,220
aBi 2020 Ltd Loan	1,000,000,000	UGX	12.28%	5	29/06/2021	29/06/2026				350,471	550,740
aBi 2020 Ltd Loan	5,000,000,000	UGX	11.90%	5	30/11/2022	30/11/2027			Lending to agribusiness clients	3,287,493	4,301,060
aBi 2020 Ltd Loan	5,000,000,000	UGX	11.90%	5	30/06/2023	30/06/2028				3,754,186	4,756,195
UECCC(1) Loan	500,000,000	UGX	5.00%	2.5	04/03/2022	30/06/2024	None	None	Facilitating on grid electricity connections	-	62,500
EADB(1) Loan	1,500,000	EUR	12.00%	8	03/08/2015	03/08/2023	1. Non-Performing Loan ratio not exceeding 6% 2. Operating expenses to operating income not to exceed 75%	1.Assignment of the loan book of a value that is at least 150% of the total principal amount 2. A treasury bond or T-bill with a face value of at least 50% the facility	Lending to small and medium enterprises in sectors such as organic agriculture, forestry and apiculture, fisheries, wildlife, eco-tourism and renewable energy	-	-
EADB(2) Loan	500,000	EUR	12.00%	7	29/09/2020	29/09/2027				1,116,414	1,505,956
EADB(3) Loan	500,000	EUR	12.00%	7	29/09/2020	29/09/2027				1,175,408	1,565,649
EADB(4) Loan	2,000,000	EUR	9.00%	7	12/08/2022	12/08/2029				7,250,880	1,581,186
EADB(5) Loan	5,000,000,000	UGX	11%	3	19/03/2024	19/01/2027				5,274,023	-
Symbiotics S.A. 1	2,500,000	USD	12.00%	3	22/03/2021	22/03/2024	1. A ratio of foreign currency assets minus foreign currency liabilities to the capital of between (25%) and 25% 2. A capital adequacy ratio of not less than the higher of 14% and the capital adequacy as may be required by Bank of Uganda	None	Lending to micro,small or medium enterprises and middle income households	-	4,728,407

Lender	Amount advanced	Currency	Interest	Tenure (Years)	Start date	Maturity date	Key covenants	Security	Purpose of loan	2024 Amount Shs 000	2023 Amount Shs 000
							3. Maintain unencumbered assets of an amount equal to at least 50% of the issuer's total assets				
Symbiotics S.A. 2	750,000	USD	12.00%	3	29/10/2021	29/10/2024	1. Maintain a ratio of Foreign currency assets minus foreign currency liabilities to the capital of between -25% and 25% 2. Maintain a capital adequacy ratio of not less than the higher of 14% and the capital adequacy as may be required by Bank of Uganda 3. Unencumbered assets of an amount equal to at least 50% of the issuer's total assets	None	Lending to micro,small or medium enterprises and middle income households	-	1,811,664
Symbiotics S.A. 3	750,000	USD	12.00%	3	02/11/2021	29/10/2024				-	1,358,748
Symbiotics S.A. 4	750,000	USD	12.00%	3	11/05/2021	11/05/2024				-	1,356,544
Symbiotics S.A. 5	2,500,000	USD	12.00%	3	04/05/2022	04/05/2025				5,435,552	10,869,974
Symbiotics S.A. 6	3,217,440	USD	12.25%	2	13/06/2023	13/07/2025				12,125,839	12,166,884
Symbiotics S.A. 7	3,000,000	USD	12.25%	3	28/12/2023	28/12/2026				11,288,421	11,280,080
Symbiotics S.A. 8	1,500,000	USD	12.5%	2.5	30/07/2024	28/12/2026				5,886,345	-
Symbiotics S.A. 9	1,000,000	USD	12.5%	3	30/07/2024	30/07/2027				3,932,334	-
Bank of Uganda – Agricultural Lending Facility	5,015,007,786	UGX	Capped at 12%	Open	1/06/2018	Due on demand as may be agreed by the Bank and BOU.	None	The loan book for the loans advanced.	To lend to agricultural businesses	5,015,008	3,364,190
Grow Loan	12,000,000,000	UGX	2%	2	14/08/2024	14/08/2026	1. The bank shall not use the funding from Window 3 to refinance any existing loans 2. The bank shall not use the funding from Window 3 to finance overdraft facilities 3. The bank shall maintain an Environmental and Social Management System (ESMS) 4. The bank shall submit quarterly reports to PSFU and the Due Diligence Firm. 5. The bank shall submit, not later than the sixth month from the end of each completed financial year, audited financial statements of the bank	None	Lending to women who have enterprises but have outgrown most micro-credit and livelihood programs, and women-owned micro-enterprises with the potential to transition from micro to small	12,072,986	-
									Total	**81,255,811**	**67,102,093**

26 (a) OTHER LIABILITIES

	2024 Shs 000	2023 Shs 000
Financial liabilities		
Accruals and sundry payables	956,760	2,440,836
Loan Insurance payable	586,640	320,169
Others	1,041,625	773,203
Total financial liabilities	**2,585,025**	**3,534,208**

Others mainly include CRB fees payable, mobile banking collections payable, unpresented drafts and title processing fees payable.
Accruals and sundry payables mainly include suppliers' and bills payables and accruals for expenses incurred but not yet invoiced at year end.

Non-financial liabilities	2024 Shs 000	2023 Shs 000
Other taxes payable	1,871,807	2,449,242
Gratuity and pensions	1,322,502	1,117,761
Grants liabilities	1,110,001	573,869
Others	962,934	317,739
NSSF payable	390,229	389,459
Total non-financial liabilities	**5,657,473**	**4,848,070**
Total other liabilities	**8,242,498**	**8,382,278**

Grant liabilities relate to grant funds advanced to the Bank to support implementation of defined projects. These funds are accounted for as ordinary liabilities until they are applied to the relevant revenue or capital expenditure projects at which point they are reclassified into either revenue grants that are offset from the total expenditure or capital grants that are still deferred under liabilities and released as the Bank enjoys the services of the funded assets. Other liabilities mainly relate to suspended loan fees.

Other liabilities and accounts payable are non-interest bearing and are normally settled between 0-90 days. The Bank gives no collateral in respect to these payables.

26 (b) CONTRACT LIABILITIES

	2024 Shs 000	2023 Shs 000
Deferred income	5,236,842	4,437,082
	5,236,842	**4,437,082**

Deferred income relates to unearned loan service fees.

The reconciliation of movement in the contract liabilities during the year is disclosed below:

	2024 Ushs '000	2023 Ushs '000
At the beginning of the year	4,437,082	4,409,664
Additions	8,430,422	7,593,131
Revenue recognised during the year	(7,630,662)	(7,565,713)
At 31 December	**5,236,842**	**4,437,082**

26 (b) CONTRACT LIABILITIES (CONTINUED)

Future realization of contract liabilities is expected to be as follows:

As at 31 December 2024

	Within 1 year	Within 1 to 5 years	Over 5 years	Total
	Shs 000	Shs 000	Shs 000	Shs 000
Deferred income	1,243,048	3,969,059	24,735	**5,236,842**

As at 31 December 2023

	Within 1 year	Within 1 to 5 years	Over5 years	Total
	Shs 000	Shs 000	Shs 000	Shs 000
Deferred Income	3,174,306	1,262,776	-	**4,437,082**

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2024	2023
Revenue recognised that was included in the contract liabilities balance at the beginning of the period.	Shs 000	Shs 000
Deferred income	4,198,144	3,253,946

26 (c) PROVISIONS

The provisions majorly relate to litigation against the bank and other provisions. The other provisions include provision for open tax matters (mainly PAYE and Excise duty), provision for restoration obligations and other sundry provisions.

Movement analysis in provisions is indicated below;

	Litigations provisions		Other provisions		Total	
	2024	2023	2024	2023	2024	2023
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
At 1 January	500,952	733,000	193,038	910,607	693,990	1,643,607
Decrease during the year	(146,452)	(232,048)	(173,910)	(717,569)	(320,362)	(949,617)
At 31 December	**354,500**	**500,952**	**19,128**	**193,038**	**373,628**	**693,990**

The provisions are considered as uncertain in amount since the final payouts are dependent on how the litigations and open tax matters are concluded by the courts. The other obligations are also uncertain in amount considering that the amounts to be paid will be subject to contracting of suppliers who will deliver on the provided items. The timing is also uncertain considering that the courts and events are not allocated specific timelines.

27 DEFERRED INCOME TAX LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rate of 30%.

The movement analysis for deferred tax is as follows:

Year ended 31 December 2024	01-Jan-2024 Shs 000	Charged/ (credited) to P/L Shs 000	31-Dec 2024 Shs 000
Accelerated depreciation on property and equipment	1,572,647	(87,717)	1,484,930
Leases	214,323	(214,323)	-
IFRS 9 Vs Specific Provisions as per FIA	347,550	(273,860)	73690
Unrealised exchange Losses	(138,552)	(39,102)	(177,654)
Unrealised exchange Gains	259,925	(197,937)	61,988
Gratuity provision	(294,230)	(82,341)	(376,571)
Capital grants	(54,931)	47,061	(7,870)
Accrued leave provisions	(39,467)	20,918	(18,549)
Non-product provisions	(283,702)	171,614	(112,088)
Staff terminal benefits provision	(1,631)	-	(1,631)
Tax losses	(762,819)	762,819	-
	819,113	**107,132**	**926,245**

The carry forward tax loss of Shs2,543M was fully utilized during the year and therefore a nil balance as 31 December 2024.

Year ended 31 December 2023	01-Jan-2023 Shs 000	Charged/ (credited) to P/L Shs 000	31-Dec 2023 Shs 000
Accelerated depreciation on property and equipment	1,307,139	265,508	1,572,647
Leases	77,702	136,621	214,323
IFRS 9 Vs Specific Provisions as per FIA	840,334	(492,784)	347,550
Unrealised exchange Losses	(235,944)	97,392	(138,552)
Unrealised exchange Gains	107,806	152,119	259,925
Gratuity provision	(234,239)	(59,991)	(294,230)
Capital grants	(86,021)	31,090	(54,931)
Accrued leave provisions	(33,210)	(6,257)	(39,467)
Non-product provisions	(493,082)	209,380	(283,702)
Staff terminal benefits provision	(100,594)	98,963	(1,631)
Tax losses	-	(762,819)	(762,819)
	1,149,891	**(330,778)**	**819,113**

28 SHARE CAPITAL

Authorized share capital	Number of Authorized ordinary shares	Authorized ordinary share capital @Shs 1000 per share Shs 000
Year ended 31 December 2024		
At start and end of year	**150,000,000**	**150,000,000**

Authorized share capital	Number of Authorized ordinary shares	Authorized ordinary share capital @Shs 1000 per share Shs 000
Year ended 31 December 2023		
At start of year	30,000,000	30,000,000
Additions during the year	120,000,000	120,000,000
At year end	**150,000,000**	**150,000,000**

The par value of each share was maintained at Shs1000.

Paid up share capital

	Number of shares issued & fully paid	Paid up ordinary share capital @Shs 1000 per share Shs 000
Year ended 31 December 2024		
At start and end of year	**59,657,984**	**59,657,984**

	Number of shares issued & fully paid	Paid up ordinary share capital @Shs 1000 per share Shs 000
Year ended 31 December 2023		
At start of year	27,785,402	27,785,402
Rights issue	31,872,582	31,872,582
At year end	**59,657,984**	**59,657,984**

Ordinary shareholders are entitled to dividends when declared and possess one vote each during the annual general meeting.

29 BANK SHAREHOLDING

The Bank shareholders are as follows:

Holding

Shareholder:	Country of incorporation	2024	2023
Uganda Women Trust (UWT)	Uganda	20.45%	20.1%
Oiko Credit Ecumenical Development Cooperative Society U,A	Netherlands	19.39%	19.6%
Progression Eastern African Micro Finance Equity Fund	Netherlands	18.11%	18.3%
RIF North 1 Investment	Mauritius	18.11%	18.3%
I&P Afrique Entrepreneurs	Mauritius	14.06%	14.2%
Founder Members	Uganda	9.88%	9.5%
		100.00%	**100.00%**

The shareholders resolved to proceed with a further capital injection of Shs55.4 billion by Access Bank PLC and all other remaining shareholders on a prorata basis. The Bank was authorized to enter into a share subscription agreement, and the directors were mandated to conclude the transaction on the Bank's behalf. While the transaction was initially targeted for completion by 30 June 2024, it remains ongoing and is now anticipated to close by June 2025.

30 CASH AND CASH EQUIVALENTS

	2024	2023
	Shs 000	Shs 000
Cash and balances with Bank of Uganda (note 16)	72,487,916	61,137,336
Less: cash reserve requirement	(33,020,000)	(28,960,000)
	39,467,916	32,177,336
Deposits and placements with other banks	6,334,161	5,489,678
	45,802,077	**37,667,014**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with Central Bank, treasury and other eligible bills, and deposits and placements with other banks. Cash and cash equivalents exclude the cash reserve requirement held with Bank of Uganda amounting to Shs 33,020 million (2023: Shs 28,960 million). The cash reserve requirement is computed by the Central Bank as a percentage of customer deposits over a cash reserve cycle of two weeks. The cash reserve is not available for use by the Bank as non- compliance results in sanctions from the Central Bank.

31 LEASES

Information about leases for which the Bank is a lessee is presented below:

i) Right-of- use assets

Right-of-use assets relate to leased branch and office premises.

	2024	2023
	Shs 000	Shs 000
At 1 January	25,461,886	24,686,015
Cash additions	-	89,564
Non cash additions	914,472	935,850
Termination of leases**	(196,197)	(249,543)
At 31 December	**26,180,161**	**25,461,886**
Amortization		
As at 1 January	(11,276,702)	(7,958,349)
Charge for the year	(3,397,226)	(3,483,906)
Termination of leases	180,000	165,553
At 31 December	**(14,493,928)**	**(11,276,702)**
Net book value		
At 31 December	**11,686,233**	**14,185,184**

** Relates to termination of leases resulting from termination of Katwe additional space during the year.

ii) Lease liabilities

The movement in the lease liabilities is analyzed below;

	2024	2023
	Shs 000	Shs 000
Lease liabilities at 1 January	14,526,861	16,468,659
Foreign exchange differences	404,085	(167,342)
Lease liabilities during the year	1,673,152	935,850
Lease charge for the year	1,437,990	1,565,043
Lease Interest payments during the year	(2,408,245)	(1,330,287)
Lease principal payments during the year	(2,781,292)	(2,850,893)
Terminations during the year	(74,888)	(94,169)
Lease liabilities at 31 December	**12,777,663**	**14,526,861**
Not later than 1 year	272,813	3,688,183
Later than 1 year but less than 5 years	12,504,850	10,838,678
	12,777,663	**14,526,861**

Average discount rate for the year ended 31 December 2024 was 11% (2023: 12%).

31 LEASES (CONTINUED)

iii) Renewal options

Some leases of the Bank's office premises contain renewal options exercisable by the Bank up to one year before the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The renewal options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the renewal options. The Bank reassesses whether it is reasonably certain to exercise the renewal options if there is a significant event or significant changes in circumstances within its control.

32 EARNINGS PER SHARE

	2024 Shs 000	2023 Shs 000
Profit attributable to equity holders of the Bank	10,358,574	3,732,062
Weighted average number of ordinary shares in issue	59,657,984	59,657,984
Earnings per share (expressed in Shs per share)	**0.174**	**0.063**

As of 31st December 2024, there are no actual or potential dilutive factors that would impact the calculation of earnings per share. The bank has not issued any convertible instruments, stock options, or other financial instruments that could result in dilution.

33 RELATED PARTY DISCLOSURES

The Bank's immediate and ultimate parent is Uganda Women's Trust, which holds a 20.5% (2023: 20.1%) stake in the Bank. The rest of the ownership interests are held by four institutional shareholders and 73 founder members.

The details of related-party transactions and outstanding balances at year-end were as follows:

	2024 Shs 000	2023 Shs 000
Loans & Advances to related parties		
Loans and advances to key management:	2,924,357	2,778,531
Loans and advances to Directors:	1,179,555	665,457
Loans and advances to Shareholders:	118,192	-
Ms Lydia Ochieng Obbo on behalf of Fredrick Obbo	96,335	122,281
TOTAL	**4,318,439**	**3,566,269**

Key management compensation	2024 Shs 000	2023 Shs 000
Salaries and short-term employment benefits	5,127,396	4,566,973
Terminal benefits	1,274,716	1,163,728
Other staff benefits	328,946	471,120
	6,731,058	**6,201,821**

Other staff benefits include airtime and internet allowances, club and gym memberships costs and housing allowances.

Directors' remuneration		
Directors' fees	507,296	457,851

33 RELATED PARTY DISCLOSURES (CONTINUED)

Insider lending disclosures

As required by the Financial Institutions (Insider-Lending Limits) Regulations, 2005, section 8(4), below are the disclosures of the names of, and the amount, range of interest rates and performance status of any lending to;

Directors

	Designation	Status	Amount Shs 000	Interest rate (WAR)
2024				
Particulars				
Nakawunde Annet Mulindwa	Managing Director	Performing	667,087	**10%**
Nansubuga Annette Kiggundu	Executive Director	Performing	512,468	**10%**
			1,179,555	
2023				
Particulars				
Nakawunde Annet Mulindwa	Managing Director	Performing	538,292	**10%**
Nansubuga Annette Kiggundu	Executive Director	Performing	648,669	**10%**
			1,186,961	

Affiliates

	Affiliation	Status	Amount Shs 000	Interest rate
2024				
Particulars				
Frederick Obbo	Partner to Shareholder - Ms Lydia Ochieng Obbo	Performing	96,335	22%
			96,335	
2023				
Particulars				
Frederick Obbo	Partner to Shareholder - Ms Lydia Ochieng Obbo	Performing	124,557	22%
			124,557	

Shareholders

	Affiliation	Status	Amount Shs 000	Interest rate
2024				
Particulars				
Ahimbisibwe Hope Kyomugasho	Founder member	Performing	118,192	10.5%
			118,192	

All loans to directors, affiliates and shareholders are secured.

The loan to the shareholder was granted at an interest rate of 10.5% on an arm’s length basis, as it falls under the GROW for Women loan category, which, per covenant restrictions, cannot exceed this rate.

There were no loans to associates and companies in which the directors and shareholders have a direct or indirect interest for both periods presented.

34 OFF BALANCE SHEET ITEMS

The Bank conducts business involving guarantees and performance bonds and indemnities. Letters of guarantee and performance bonds are issued by the Bank, on behalf of customers, to guarantee performance by customers to third parties. Guarantees carry similar credit risk to loans because the Bank must meet these obligations in the event of default by the customers. Commitments to lend (Undrawn loan commitments) are agreements to lend to customers in future subject to certain conditions. Such commitments are normally made for fixed periods. The Bank may withdraw from its contractual obligations to extend credit by giving reasonable notice to the customers. The nominal values of these commitments are listed below:

	2024	2023
	Shs 000	**Shs 000**
Guarantees and performance bonds	9,314,154	6,332,770
Undrawn loan commitments	879,770	873,846
	10,193,924	**7,206,616**

Expected credit losses on the off -balance sheet items were immaterial on both reporting dates presented and as such not recognised in the financial statements.

35 DIVIDENDS

No interim dividend was paid during the year 2024 (2023: Nil). After the reporting date, the Board of Directors did not propose any dividend payout for the year 2024 (2023: Nil).

During the year ended 31 December 2024 no dividends were paid out (2023: Nil).

36 CONTINGENT LIABILITIES

The Bank is a defendant in various legal actions in the normal course of business. The total estimated contingent liability arising from these cases is Shs754.95million (2023: Shs754.95 million). Through legal advice, management has determined that total probable losses to the Bank are Shs354.5 million (2023: Shs500.95 million) for which a provision has been made in the financial statements as presented in Note 26. In the opinion of the directors and after taking appropriate legal advice, no significant additional losses are expected to arise from the open litigation cases.

37 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

At 31 December 2024	Within 12 months Shs 000	After 12 months Shs 000	Total Shs 000
ASSETS			
Cash and balances with Bank of Uganda	72,487,916	-	72,487,916
Deposits and placements with other banks	46,678,427	-	46,678,427
Government securities at amortised cost	23,618,947	11,714,188	35,333,135
Loans and advances to customers	161,699,408	194,636,165	356,335,573
Other assets	9,472,390	-	9,472,390
Right of use assets	-	11,686,233	11,686,233
Property and equipment	-	14,222,350	14,222,350
Intangible assets	-	4,828,865	4,828,865
Total assets	**313,957,088**	**237,087,801**	**551,044,889**
Liabilities			
Customer deposits	340,749,499	-	340,749,499
Deposits and balances due to banking institutions	21,852,321	-	21,852,321
Borrowings	38,089,545	43,166,266	81,255,811
Other liabilities	8,242,498	-	8,242,498
Provisions	373,628	-	373,628
Contract liabilities	1,243,048	3,993,794	5,236,842
Lease liabilities	272,813	12,504,850	12,777,663
Current tax payable	685,674	-	685,674
Deferred tax liability	-	926,245	926,245
Total liabilities	**411,509,026**	**60,591,155**	**472,100,181**

At 31 December 2023	Within 12 months Shs 000	After 12 months Shs 000	Total Shs 000
ASSETS			
Cash and balances with Bank of Uganda	61,137,336	-	61,137,336
Deposits and placements with other banks	11,642,841	-	11,642,841
Government securities at amortised cost	38,776,923	15,839,225	54,616,148
Loans and advances to customers	137,833,371	153,571,054	291,404,425
Other assets	9,609,223	-	9,609,223
Current income tax recoverable	112,109	-	112,109
Right of use assets	-	14,185,184	14,185,184
Property and equipment	-	17,661,316	17,661,316
Intangible assets	-	5,101,273	5,101,273
Total assets	**259,111,803**	**206,358,052**	**465,469,855**
Liabilities			
Customer deposits	276,726,280	-	276,726,280
Deposits and balances due to banking institutions	24,196,024	-	24,196,024
Borrowings	15,217,173	51,884,920	67,102,093
Other liabilities	8,382,278	-	8,382,278
Provisions	693,990	-	693,990
Contract liabilities	3,174,306	1,262,776	4,437,082
Lease liabilities	3,688,183	10,838,678	14,526,861
Deferred tax liability	-	819,113	819,113
Total liabilities	**332,078,234**	**64,805,487**	**396,883,721**

38 EVENTS AFTER THE REPORTING PERIOD

The bank has assessed events occurring after the reporting period in accordance with IAS 10 – Events After the Reporting Period and confirms that no adjusting or non-adjusting subsequent events have been identified that require modifications to the financial statements.

However, the bank remains subject to ongoing litigation in the normal course of business. As of the date of approval of these financial statements, there have been no material developments in these legal matters that would require adjustment to or disclosure in the financial statements. The bank continues to monitor these matters and, where necessary, will make appropriate provisions.

Finance Trust Bank: P.O. Box 6972, Kampala. ***Head Office:*** Twed Plaza, Plot 22B, Lumumba Avenue, Kampala.
0800 220 500 0751 932 900 / 0701 932 901 @FinanceTrustBankUganda @financetrustug @financetrustbankug
@financetrustbankuganda Finance Trust Bank Uganda customercare@financetrust.co.ug www.financetrust.co.ug