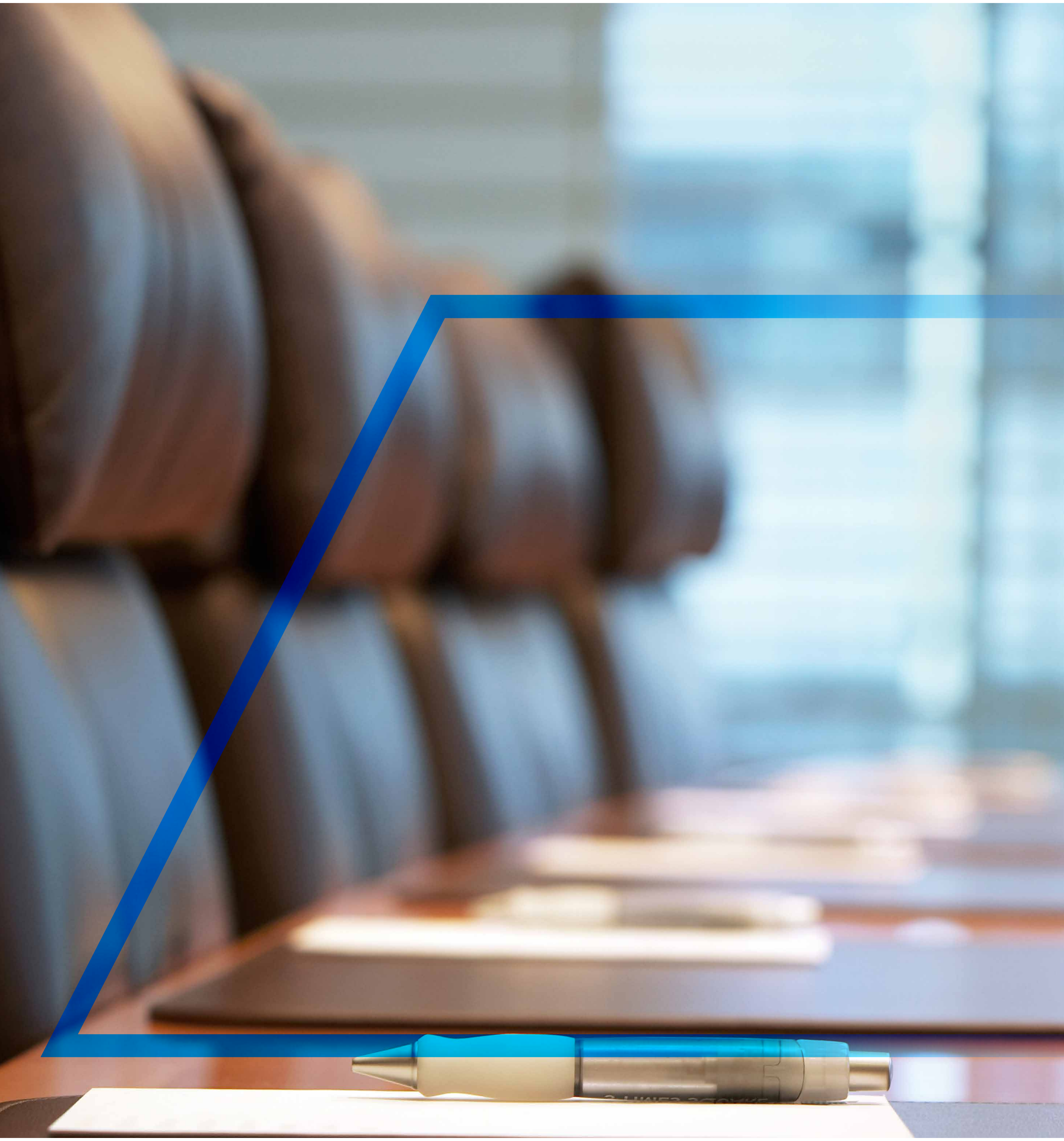
Stanbic Uganda Holdings Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2020

Stanbic Uganda IT CAN BE™



CORPORATE INFORMATION

Corporate Information

Chairman: Japheth Katto

Chief Executive: Andrew Mashanda

Non-Executive Directors

Olusola Adejoke David-Borha

Patrick Mweheire

Samuel Zimbe

Patrick J. Mangheni

Eva G. Kavuma

Agnes Asiimwe Konde (appointed July 2020)

Company Secretary

Rita Kabatunzi

External Auditor

PricewaterhouseCoopers
Certified Public Accountants
Communications House
1 Colville Street
P. O. Box 882, Kampala Uganda

Registered office

Head office
Office Crested Towers,
Short Tower 17 Hannington Road
P.O. Box 7395 Kampala, Uganda

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of Stanbic Uganda Holdings Limited ("the Company" or "SUHL") and it's subsidiaries (together " the Group").

Principal activities

Stanbic Uganda Holdings Limited is a non-operating company with 5 (five) subsidiaries; Stanbic Properties Limited (SPL), Stanbic Business Incubator Limited (SBIL), Flyhub Uganda Limited (Flyhub), SBG Securities Uganda Limited (SBGS) and Stanbic Bank Uganda Limited (SBU). SBU is a licensed financial institution under the Financial Institutions Act, 2004 as amended and is a member of the Uganda Bankers Association. SBU is engaged in the business of commercial banking and the provision of related banking services. SPL holds and manages the real estate portfolio of the Group. Other services offered to clients include; valuation services, site acquisition, property consultancy and execution of real estate projects. SBIL was set up as part of the reorganisation process to support the sustainability of SMEs in Uganda through capacity building programs on best business practices. Flyhub is a Fintech company that provides financial technology and innovative services as part of the digital transformation journey. SBGs is licensed by the Capital Markets Authority and provides securities trading, brokerage, dealing and management services,

Results

The Group's profit for the year of UShs 242 billion (2019: UShs 259 billion) has been added to retained earnings. The detailed results of the Group are shown on page 14.

Dividends

At their meeting of 10 February 2021, the Directors resolved to recommend a dividend of UShs 1.86 per share (2019: UShs 2.15) totalling UShs 95.0bn (2019: UShs 110.0bn) at the Company's next annual general meeting. This resolution was based on the expectation of dividends to be paid to the Company by its main subsidiary, Stanbic Bank Uganda Limited.

The Bank sought BOU no objection to pay the 2020 final dividend however this was declined. The Bank was advised to defer the dividend pay-out until 31 December 2021 subject to a re-assessment. The Bank dividend forms the pool of dividends to SUHL shareholders, therefore the SUHL Board of directors will not recommend payment of the final dividend for the year ended 31 December 2020 to the shareholders at the 2021 AGM which will be paid upon receipt of regulatory approval.

Share Capital

The total number of issued ordinary shares as at year end was 51,188,669,700 of UShs 1 each.

Directors and Secretary

The Directors who held office during the year and to the date of this report are as shown on page 4 of this report.

Directors' interest in shares

At 31 December 2020, the following Directors held direct interest in SUHL's ordinary issued share capital as reflected in the table below:

Director	Number of Shares
P Mangheni	100,000
J Ndamira	30,000
Total	**130,000**

Insurance

Directors' and Officers' liability insurance was maintained during the year.

Management by Third Parties

None of the business of Stanbic Uganda Holdings Limited has been managed by a third person or a company in which a Director has had an interest during the year.

By Order of the Board

Rita Kabatunzi
Company Secretary,
Board of Directors
26 March 2021

Statement of Directors' Responsibilities

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

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group of its profit in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors have assessed the Group's ability to continue as a going concern. In performing this assessment, the Directors have considered the results of the Group's assessment of the possible impact on its cash flows and operations as a result of the macroeconomic impact of COVID-19 on the local Ugandan market and wider international economy that is disclosed in Note 2 (ii) of the financial statements. The Directors hereby report that nothing has come to their attention to indicate that the Group will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

The financial statements of Stanbic Uganda Holdings Limited were approved by the Board of Directors on 26 March 2021 and were signed on its behalf by:

....

Mr. Japheth Katto
Board Chairman
26 March 2021

....

Mr. Andrew Mashanda
Chief executive
26 March 2021

Report of the Board Audit Committee

This report is provided by the Board Audit Committee in respect of the 2020 financial year of Stanbic Uganda Holdings Limited and its subsidiaries. The Committee's operation is guided by a detailed mandate that is informed by the Companies Act 2012 (hereinafter "the Ugandan Companies Act"), the Financial Institutions Act, 2004 as amended impacting the banking subsidiary, the Uganda Securities Exchange (USE) Listing Rules 2003 and is approved by the Board. The Committee is appointed by the Board annually. Information on the membership and composition of the Audit and Risk Committee, its terms of reference and its activities is provided in greater detail in the corporate governance statement.

Execution of Functions

The Committee has executed its duties and responsibilities during the financial year in accordance with its mandate as it relates to the SUHL accounting, internal auditing, internal control and financial reporting practices.

During the year under review, the Committee, among other matters, considered the following:

In respect of the external auditor and the external audit:

- Considered and recommended to the Board for the appointment of PricewaterhouseCoopers (PwC), Certified Public Accountants, as external auditor for the financial year ended 31 December 2020, in accordance with all applicable legal requirements.
- Approved the external auditor's terms of engagement, the audit plan and budgeted audit fees payable.
- Assessed and obtained assurance from the external auditor that their independence was not impaired.
- Approved proposed contracts with the external auditor for the provision of non-audit services and pre-approved proposed contracts with the external auditor for the provision of non-audit services above an agreed threshold amount.
- Considered the nature and extent of all non-audit services provided by the external auditor.
- Confirmed that no reportable irregularities were identified and reported by the external auditor.

In respect of the Financial Statements:

- Confirmed the going concern principle as the basis of preparation of the consolidated annual financial statements.
- Examined and reviewed the consolidated interim and annual financial statements prior to submission and approval by the Board.
- Reviewed reports on the adequacy of the provisions for performing and non-performing loans and impairment of other assets, and the formulae applied by the company in determining charges for and levels of impairment of performing loans.
- Ensured that the consolidated annual financial statements fairly present the financial position of the Group, as at the end of the financial year and the results of operations and cash flows for the financial year and considered the basis on which the Group determined to be a going concern.
- Ensured that the consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Ugandan Companies Act and the Uganda Securities Exchange Listing Rules 2003. and all other applicable accounting guides and pronouncements.
- Considered accounting treatments, significant unusual transactions and accounting judgements.
- Considered the appropriateness of the accounting policies adopted and changes thereto.
- Reviewed any significant legal and tax matters that could have a material impact on the financial statements.
- Reviewed and discussed the external auditor's audit report.
- Considered and made recommendations to the Board on the consolidated interim and final dividend payments to the shareholder.
- Noted that there were no material reports or complaints received concerning accounting practices, internal audit, internal financial controls, the content of the consolidated annual financial statements, internal controls and related matters.

In respect of risk management and information technology:

- Considered risks as they pertained to the control environment, financial reporting and the going concern assessment.
- Considered updates on key internal and external audit findings in relation to the IT (Information Technology) control environment, significant IT programmes and IT intangible assets.

In respect of financial accounting and reporting developments:

- Reviewed Management's process and progress with respect to new financial accounting and reporting developments.

In respect of the Coordination of Assurance Activities, The Committee:

- Reviewed the plans and work outputs of the external and internal auditor as well as compliance and financial crime control and concluded that these were adequate to address all significant financial risks facing the business, and
- Considered the expertise, resources and experience of the finance function and the senior members of Management responsible for this function and concluded that these were appropriate.

In respect of the Annual Report:

- Recommended the annual report to the Board for approval.
- Evaluated Management's judgments and reporting decisions in relation to the annual report and ensured that all material disclosures are included.
- Reviewed forward-looking statements, financial and sustainability information in respect of internal control, internal audit and financial crime control.

- Reviewed and approved the annual internal audit charter and audit plan and evaluated the independence, effectiveness and performance of the internal audit department and compliance with its charter.
- Considered reports of the internal and external auditors on the Group's internal control systems, including internal financial controls and maintenance of effective internal control systems.
- Reviewed significant issues raised by the internal audit processes and the adequacy of corrective action in response to such findings.
- Noted that there were no significant differences of opinion between the internal audit function and Management.
- Assessed the adequacy of the performance of the internal audit function and adequacy of the available internal audit resources and found them to be satisfactory.
- Received assurance that proper and adequate accounting records were maintained and that the systems safeguarded the assets against unauthorised use or disposal.
- Based on the above, the Committee formed the opinion that there were no material breakdowns in internal control at the date of this report, including internal financial controls, resulting in any material loss to the company.
- Reviewed and approved the mandate of financial crime as an independent risk function.
- Discussed significant financial crime matters and control weaknesses identified.
- Reviewed any significant legal and tax matters that could have a material impact on the financial statements.
- Considered quarterly reports from the company's internal financial controls committee.
- Considered the independent assessment of the effectiveness of the internal audit function

In respect of legal, regulatory and compliance requirements.

- Reviewed, with Management, matters that could have a material impact on the Group and Company.
- Monitored compliance with the Ugandan Companies Act, the USE Listing rules 2003, all other applicable legislation and governance codes and reviewed reports from internal audit, external auditors and compliance detailing the extent of this.
- Noted that no complaints were received through the company's Ethics and Fraud Hotline concerning accounting matters, internal audit, internal financial controls, contents of financial statements, potential violations of the law and questionable accounting or auditing matters.
- Reviewed and approved the annual compliance mandate and compliance plan. In respect of risk management, it considered and reviewed reports from Management on risk management, including fraud and its risks pertaining to financial reporting and the going concern assessment. In respect of the coordination of assurance activities, the Committee:
- Reviewed the plans and work outputs of the external and internal auditors as well as compliance and financial crime control and concluded that these were adequate to address all significant financial risks facing the business
- Considered the expertise, resources and experience of the finance function and the senior members of Management responsible for this function and concluded that these were appropriate

Independence of the External Auditor

The audit committee is satisfied that PricewaterhouseCoopers Certified Public Accountants are independent of the Group. This conclusion was arrived at, inter alia, after taking into account the following factors:

- The representations made by PricewaterhouseCoopers Certified Public Accountants to the Audit Committee in relation to their independence as external auditor.
- The auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the Group.
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken by them.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor.

In conclusion, the Board Audit Committee has complied with its legal, regulatory and governance responsibilities as set out in its mandate.

On behalf of the Board Audit Committee

Chairman

26 March 2021

INDEPENDENT AUDITOR'S REPORT

to the members of Stanbic Uganda Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the state of the financial affairs of Stanbic Uganda Holdings Limited ("the Company") and its subsidiaries (together, the "Group") as at 31 December 2020, and of its consolidated and separate profit and cash flows for the year then ended, in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Ugandan Companies Act.

What we have audited

The financial statements of Stanbic Uganda Holdings Limited set out on pages 14 to 83 comprise:

- the consolidated and separate statement of financial position as at 31 December 2020;
- the consolidated and separate income statement for the year then ended;
- the consolidated and separate statement of other comprehensive income for the year then ended;
- the consolidated and separate statement of changes in equity for the year then ended;
- the consolidated and separate statement of cash flows for the year then ended; and
- notes to the consolidated and separate financial statements, which include a summary of significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("the IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Uganda, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit matters

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

PricewaterhouseCoopers Certified Public Accountants, Communications House, 1 Colville Street, P. O. Box 882, Kampala Uganda. Registration Number 113042

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Partners: C Mpobusingye D Kalemba F Kamulegeya P Natamba U Mayanja

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Key audit matters	How our audit addressed the key audit matters
Impairment of loans and advances to customers As disclosed in Notes 2, 3(c) and 19 of the financial statements, the Directors have estimated provisions for expected credit losses ("ECL") on loans and advances to customers of UShs 165,089 million at 31 December 2020 (2019: UShs 116,632 million). We considered this a key audit matter in view of the complex and subjective judgment exercised by the Directors in estimating the above provisions. In addressing this area, we focused on the following: • the appropriateness of models used by the Directors in the estimation of provision of impairment of loans and advances; • the assumptions and estimates applied in the calculation; and • the overlays applied to the impairment calculation in response to the additional uncertainty to the estimate arising from the effects of the New Corona Virus 2019 (COVID-19) pandemic.	Our audit procedures are summarised as follows: We evaluated the appropriateness of the methodology applied by the Directors in the calculation of expected credit losses for consistency with IFRS 9; We validated controls implemented by the Group over the staging of loans and advances between default (Stage 3), significant increase in credit risk (Stage 2) and others (Stage 1) and tested, on a sample basis, the staging of loans and advances with additional emphasis on loans that were restructured during the year; We evaluated the appropriateness of segmentation of the Group's loan portfolio for purposes of estimation of PDs; We tested, on a sample basis, the reasonableness of PDs used by the Directors as well as the accuracy of the underlying historical data applied by management in deriving PDs; We evaluated the overall reasonableness of the adjustments made to impairment in response to the added uncertainty introduced by the effects of the COVID-19 pandemic; We assessed the suitability of forward-looking data and corroborated the assumptions using publicly available information; We tested, on a sample basis the reasonableness of the EAD for on and off-balance sheet items; We tested, on a sample basis, the reasonableness of the present values of expected future cashflows of loans and advances used by management in the calculation of LGD; We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 9; and We performed an independent recomputation of provisions for expected credit losses, separately on the Group's personal and business banking portfolio and corporate and investment banking portfolio, using independently recomputed PDs and independent forward looking information and compared our results to those obtained by the Directors to evaluate the reasonableness of provisions for expected credit losses in these financial statements.
Fair valuation of derivative assets and liabilities The Group is the holder and issuer of derivative financial instruments in the normal course of business. In line with IFRS 9: Financial Instruments, these derivatives are measured at fair value at each reporting date. The Directors employed valuation techniques in estimating the fair values of outstanding derivatives at as at 31 December 2020 at UShs 160 billion for derivative assets and UShs 229 billion for derivative liabilities, as disclosed in Note 27 of the financial statements. This was considered a key audit matter for our audit in view of the significant judgments exercised by the Directors in estimating the fair value of derivatives, the materiality of outstanding derivatives, and the additional complexity and long-dated nature of currency swap derivatives which are predominantly over 5 years in duration. In particular, we focused on the fair valuation methodology applied by the Directors; the estimation of inputs into the fair valuation in view of the limitations on available market data/ prices; and the overall reasonableness of prices applied in the valuation.	Our audit procedures are summarised as follows: We obtained evidence that selected manual and computer controls applied by the Directors that are relevant to the completeness, existence, accuracy and fair valuation of derivative assets and liabilities were designed and operated effectively during the year; We obtained evidence of the appropriateness of the methodology and computational accuracy of the model used by the Directors in the fair valuation of derivative assets and liabilities; We tested the accuracy of data inputs used by the Directors in the fair valuation of derivative assets and liabilities; and We reviewed the completeness and accuracy of disclosures made by the Directors in respect of derivative assets and liabilities.

Other information

The Directors are responsible for the other information. The other information comprises Corporate Information, the Directors' Report, the Statement of Directors' Responsibilities and the Report of the Board Audit Committee which we obtained prior to the date of this auditor's report, and additional sections of the Group's annual report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and 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 identified above 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.

Other information (continued)

If, based on the work we have performed on the other information that we obtained prior to the date of this 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.

When we read the additional sections of the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Ugandan Companies Act, 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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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

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 the 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 Group'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 Group'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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the Group's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 and regulatory requirements

The Ugandan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

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

ii) in our opinion proper books of account have been kept by the Group, so far as appears from our examination of those books; and

iii) the consolidated and separate statement of financial position and the consolidated and separate income statement are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Uthman Mayanja – P0181.

PricewaterhouseCoopers

Certified Public Accountants
Kampala
29 March 2021

CPA Uthman Mayanja


FINANCIAL
STATEMENTS
Stanbic Uganda IT CAN BE

Consolidated and separate income statement
For the year ended 31 December 2020

		GROUP		COMPANY	
		2020	2019	2020	2019
	Notes	UShs'000	UShs'000	UShs'000	UShs'000
Interest income	5	**536,233,586**	484,410,301	**-**	-
Interest expense	6	**(45,441,437)**	(35,469,336)	**(37,816)**	-
Net interest income		**490,792,149**	448,940,965	**(37,816)**	-
Fee and commission income	7	**165,731,160**	170,766,015	**-**	-
Fee and commission expenses	7	**(8,449,791)**	(9,795,567)	**-**	-
Net fees and commission income		**157,281,369**	160,970,448	**-**	-
Net trading income	8	**177,344,278**	191,205,066	**-**	-
Other (losses)/ gains on financial instruments	9	**(132,234)**	347,798	**-**	-
Other operating income	10	**6,104,594**	5,643,574	**129,583,471**	1,526,623
Total income before credit impairment charge		**831,390,156**	807,107,851	**129,545,655**	1,526,623
Impairment charge for credit losses	11	**(91,734,105)**	(43,522,012)	**-**	-
Total income after credit impairment charge		**739,656,051**	763,585,839	**129,545,655**	1,526,623
Employee benefits expense	12	**(169,512,134)**	(164,999,991)	**(2,197,538)**	-
Depreciation and amortisation	22 & 23	**(48,424,389)**	(45,626,420)	**(266,824)**	(51,624)
Other operating expenses	13	**(203,106,739)**	(203,324,989)	**(978,892)**	(977,875)
Profit before income tax		**318,612,789**	349,634,439	**126,102,401**	497,124
Income tax expense	14	**(76,926,464)**	(90,540,381)	**864,030**	(151,136)
Profit for the year		**241,686,325**	259,094,058	**126,966,431**	345,988
Earnings per share for profit attributable to the equity holders of the Group during the year (expressed In UShs per share):					
Basic and diluted	15	**4.72**	5.06	**2.48**	0.01

The notes set out on pages 20 to 83 form an integral part of these financial statements.

Consolidated and separate statement of other comprehensive income
For the year ended 31 December 2020

		GROUP		COMPANY	
		2020	2019	2020	2019
	Notes	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Profit for the year		**241,686,325**	259,094,058	**126,966,431**	345,988
Other comprehensive income for the year after tax:					
Items that may be subsequently reclassified to profit and loss					
Net change in debt financial assets measured at fair value through other comprehensive income (OCI) - IFRS 9	25	**(5,113,372)**	(1,079,362)	**-**	-
Total comprehensive income for the year		**236,572,953**	258,014,696	**126,966,431**	345,988

The notes set out on pages 20 to 83 form an integral part of these financial statements.

Consolidated and separate statement of financial position
As at 31 December 2020

	Notes	GROUP 2020 USh'000	GROUP 2019 USh'000	COMPANY 2020 USh'000	COMPANY 2019 USh'000
Cash and balances with Bank of Uganda	16	**1,155,333,607**	1,123,942,143	**1,000**	-
Derivative assets	27	**160,917,126**	82,497,309	**-**	-
Trading assets	17	**1,101,949,038**	612,551,106	**-**	-
Pledged assets	17	**460,527,242**	29,455,491	**-**	-
Financial investments	17	**721,772,782**	766,360,371	**-**	-
Current income tax recoverable	14	**5,066,711**	2,038,942	**11,720,417**	15,883,532
Loans and advances to banks	18	**683,929,488**	825,252,492	**-**	-
Amounts due from group companies	36	**354,851,856**	89,055,563	**154,995,286**	35,491,352
Loans and advances to customers	19	**3,618,353,321**	2,852,647,445	**-**	-
Investment in subsidiaries	38	**-**	-	**893,504,489**	881,068,551
Other assets	21	**96,788,730**	52,640,352	**227,504**	253,465
Property, equipment and right of use assets	23	**81,417,930**	86,438,365	**861,851**	2,336,815
Goodwill and other intangible assets	22	**93,447,576**	97,068,254	**-**	-
Deferred tax asset	20	**44,542,719**	30,877,380	**850,042**	-
Total assets		**8,578,898,126**	6,650,825,213	**1,062,160,589**	935,033,715
Shareholders' equity and liabilities					
Shareholders' equity					
Ordinary share capital	24	**51,188,670**	51,188,670	**51,188,670**	51,188,670
Fair value through other comprehensive income reserve	25	**(2,513,543)**	2,599,829	**-**	-
Statutory credit risk reserve	26	**-**	8,466,533	**-**	-
Retained earnings	38	**1,099,764,261**	944,611,403	**790,299,169**	758,332,738
Proposed dividends	33	**95,000,000**	110,000,000	**95,000,000**	110,000,000
		1,243,439,388	1,116,866,435	**936,487,839**	919,521,408
Liabilities					
Derivative liabilities	27	**229,733,411**	125,976,132	**-**	-
Deposits from customers	28	**5,493,479,534**	4,722,203,570	**-**	-
Deposits from banks	29	**785,477,443**	201,699,798	**-**	-
Amounts due to group companies	36	**351,607,479**	31,920,350	**88,295,740**	-
Borrowed funds	30	**43,346,567**	11,081,783	**-**	-
Subordinated debt	32	**73,022,525**	73,280,466	**-**	-
Other liabilities	31	**358,791,779**	367,796,679	**37,377,010**	15,190,720
Deferred tax liability	14	**-**	-	**-**	321,587
		7,335,458,738	5,533,958,778	**125,672,750**	15,512,307
Total equity and liabilities		**8,578,898,126**	6,650,825,213	**1,062,160,589**	935,033,715

The financial statements on pages 14 to 83 were approved for issue by the Board of Directors on 26 March 2021

Chairman

Chief Executive

Director

Company Secretary

The notes set out on pages 20 to 83 form an integral part of these financial statements.

Consolidated and separate statement of changes in equity for the year ended 31 December 2020

GROUP	Notes	Share capital	Fair value through OCI reserve	Statutory Credit Risk Reserve	Proposed dividends	Retained earnings	Total
		UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Balance at 1 January 2020		**51,188,670**	**2,599,829**	**8,466,533**	**110,000,000**	**944,611,403**	**1,116,866,435**
Profit for the year		-	-	-	-	**241,686,325**	**241,686,325**
Other comprehensive loss after tax for the year	25	-	**(5,113,372)**	-	-	-	**(5,113,372)**
Transactions with owners recorded directly in equity							
Dividends paid		-	-	-	**(110,000,000)**	-	**(110,000,000)**
Statutory credit risk reserve		-	-	**(8,466,533)**	-	**8,466,533**	-
Proposed dividends	33	-	-	-	**95,000,000**	**(95,000,000)**	-
Balance at 31 December 2020		**51,188,670**	**(2,513,543)**	-	**95,000,000**	**1,099,764,261**	**1,243,439,388**

	Notes	Share capital	Fair value through OCI reserve	Statutory Credit Risk Reserve	Proposed dividends	Retained earnings	Total
		UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Balance at 1 January 2019		51,188,670	3,679,191	11,073,905	97,500,000	792,909,973	956,351,739
Profit for the year		-	-	-	-	259,094,058	259,094,058
Other comprehensive loss after tax for the year	25	-	(1,079,362)	-	-	-	(1,079,362)
Transactions with owners recorded directly in equity							
Dividends paid		-	-	-	(97,500,000)	-	(97,500,000)
Statutory credit risk reserve		-	-	(2,607,372)	-	2,607,372	-
Proposeds dividends	33	-	-	-	110,000,000	(110,000,000)	-
Balance at 31 December 2019		51,188,670	2,599,829	8,466,533	110,000,000	944,611,403	1,116,866,435

The fair value through OCI reserverelates to debt financial investments (note 17) measured at fair value through OCI.

The notes set out on pages 20 to 83 form an integral part of these financial statements.

Consolidated and separate Statement of changes in equity for the year ended 31 December 2020 (continued)

COMPANY	Notes	Share capital	Proposed dividends	Retained earnings	Total
		UShs' 000	UShs' 000	UShs' 000	UShs' 000
Balance at 1 January 2020		**51,188,670**	**110,000,000**	**758,332,738**	**919,521,408**
Profit for the year		-	-	126,966,431	126,966,431
Transactions with owners recorded directly in equity					
Dividends paid		-	(110,000,000)	-	(110,000,000)
Proposed dividends	33	-	95,000,000	(95,000,000)	-
Balance at 31 December 2020		**51,188,670**	**95,000,000**	**790,299,169**	**936,487,839**
	Notes	**Share capital**	**Proposed dividends**	**Retained earnings**	**Total**
		UShs'000	**UShs'000**	**UShs'000**	**UShs'000**
Balance at 1 January 2019		-	-	-	-
Profit for the year		-	-	345,988	345,988
Transactions with owners recorded directly in equity					
Re-organisation		51,188,670	-	867,986,750	919,175,420
Proposed dividends	33	-	110,000,000	(110,000,000)	-
Balance at 31 December 2019		51,188,670	110,000,000	758,332,738	919,521,408

The fair value through OCI reserve comprises of the fair value through OCI reserve for debt financial investments (note17) measured at fair value through OCI.

The notes set out on pages 20 to 83 form an integral part of these financial statements.

Consolidated and separate statement of cash flows
For the year ended 31 December 2020

	Notes	GROUP		COMPANY	
		2020	2019	2020	2019
Cash flows from operating activities					
Interest received		**514,409,124**	515,364,947	**-**	-
Interest paid		**(46,511,654)**	(35,488,229)	**(37,816)**	-
Net fees and commissions received		**162,228,254**	154,909,537	**129,583,471**	-
Net trading and other Income/recoveries		**192,349,594**	203,984,483	**-**	-
Cash payment to employees and suppliers		**(389,839,999)**	(402,756,475)	**(3,777,911)**	-
Cash flows from operating activities before changes in operating assets and liabilities		**432,635,319**	436,014,263	**125,767,744**	-
Changes in operating assets and liabilities					
Income tax (paid)/refund	14	**(91,394,617)**	(96,426,020)	**4,171,663**	(12,061,785)
Increase in derivative assets		**(78,419,817)**	(66,300,298)	**-**	-
Decrease in financial investments		**277,021,578**	28,347,946	**-**	-
Increase in trading assets		**(841,973,214)**	(304,126,776)	**-**	-
Increase in cash reserve requirement		**(81,630,000)**	(63,890,000)	**-**	-
Increase in loans and advances to customers		**(842,235,712)**	(424,209,855)	**-**	-
(Increase)/decrease in other assets		**(49,095,263)**	20,883,066	**1,552,584**	(253,465)
Increase in customer deposits		**772,346,181**	829,927,814	**-**	-
Increase in deposits and balances due to other banks		**583,777,645**	100,315,359	**-**	-
Increase in deposits from group companies		**319,687,129**	84,366,591	**-**	-
Increase/(decrease) in derivative liabilities		**103,757,279**	(6,577,400)	**-**	-
Increase/(decrease) in other liabilities		**5,933,466**	100,045,387	**(17,494,559)**	(95,461,011)
Net cash from operating activities		**510,409,974**	638,370,077	113,997,432	(107,776,261)
Cash flows from investing activities					
Purchase of property and equipment		**(17,761,017)**	(23,596,971)	**(943,945)**	(156,050)
Purchase of computer software		**(11,081,968)**	-	**-**	-
Proceeds from sale of property and equipment		**376,858**	669,188	**-**	-
Net cash used in investing activities		**(28,466,127)**	(22,927,783)	**(943,945)**	(156,050)
Cash flows from financing activities					
Principle lease payments		**(11,391,314)**	(18,657,728)	**(421,930)**	-
Dividends paid to shareholders		**(110,000,000)**	(97,500,000)	**(110,000,000)**	-
Dividends from subsidiary	10	**-**	-	**129,000,000**	-
Investment in subsidiaries		**-**	-	**(10,600,000)**	-
Increase/(decrease) in borrowed funds	30	**32,264,784**	(2,706,338)	**-**	-
Decrease in subordinated debt		**(257,941)**	(896,517)	**-**	-
Net cash used financing activities		**(89,384,471)**	(119,760,583)	**7,978,070**	-
Net Increase/(decrease) in cash and cash equivalents		**392,559,376**	495,681,711	**121,031,557**	(107,932,311)
Cash and cash equivalents at the beginning of the year		**2,057,985,417**	1,562,303,706	**33,964,729**	141,897,040
Cash and cash equivalents at end of the year	35	**2,450,544,793**	2,057,985,417	**154,996,286**	33,964,729

The notes set out on pages 20 to 83 form an integral part of these financial statements.

1. General Information

Stanbic Uganda Holdings Limited (the "Company") is a limited liability company, incorporated and domiciled in Uganda. The address of its registered office is: Plot 17 Hannington Road 11th floor Short Tower - Crested Towers, PO Box 7395, Kampala, Uganda. The Company's shares are listed on the Uganda Securities Exchange (USE) and it has five subsidiaries which include Stanbic Bank Uganda Limited, FLYHUB Uganda Limited, Stanbic Properties Limited, Stanbic Business Incubator Limited and SBG Securities Uganda Limited.

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

2. Accounting policy elections

(i) Summary of significant accounting policies

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

a) Basis of preparation

The annual financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Ugandan Companies Act 2012 and the Financial Institutions Act 2004 as amended. The financial statements are presented in the functional currency, Uganda Shillings (UShs), rounded to the nearest thousand, and prepared under the historical cost convention except where otherwise stated below:

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The following principal accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies:

- Purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned are recognised and derecognised using trade date accounting.
- The portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis.
- Intangible assets and property and equipment are accounted for costless accumulated armotisation/ depreciation and impairment.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3.

Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

Foreign currency translation

Functional and presentation currency

Items included in the Group and Company's financial statements are measured using the currency of the primary economic environment in which the entity operates Uganda Shillings-UShs ("the functional currency"). The financial statements are presented in UShs and figures are stated in thousands of UShs (UShs'000) unless otherwise stated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary assets denominated in foreign currency classified as fair value through OCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognised in profit or loss, and other changes in the carrying amount, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as fair value through other comprehensive income are included in other comprehensive income.

b) New standards and interpretations not yet adopted by the Group

The following new or revised standards, amendments and interpretations are not yet effective for the year ended 31 December 2020 and have not been applied in preparing these annual financial statements.

IFRS 9 Financial Instruments General hedge accounting (GHA)

Effective date: 1 January 2018, but can be adopted for any financial period prior to the effective date of the Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach (PRA) which is still to be advised

The revised general hedge accounting requirements are better aligned with an entity's risk management activities, provide additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting. The group has decided to adopt the IFRS 9 GHA as at 1 January 2021 in line with some market competitors both locally and globally. The group will transition to IFRS 9's GHA for all current and further micro hedges (hedges that minimises/manages the risk exposure of a single instrument). However, the group will continue to apply IAS 39 for macro hedges (hedges that minimises/ manages the risk exposure of a portfolio), as IFRS 9 does not provide any guidance in this regard. The IASB is currently still researching the accounting model to cover situations where a group manages it risk dynamically (i.e. when the risk position being hedged changes frequently and is hedged by an open portfolio of changing assets and liabilities). The group is actively participating in some of the IASB research in the regard. The group has established detailed project plan which includes the key responsibilities of the group's hedge accounting forum relating to the transition to IFRS 9 GHA. The group's estimated transition impact which is not expected to be material/significant to the group's results and is in the process of assessing the system design requirements to accommodate IFRS 9 GHA.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)

Effective date: deferred the effective date for these amendments indefinitely

The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the Group's financial statements.

IFRS 16 Leases (amendment)

(Effective for annual periods beginning on or after: 1 June 2020)
IFRS 16 requires an entity to account for a change in consideration or term of a lease contract to be accounted for and disclosed as a lease modification. In light of the recent Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits the application of the practical expedient to rent concessions that meet specific Covid-19 related requirements and requires specified disclosures. An entity shall apply the practical expedient as an accounting policy choice and consistently to contracts with similar characteristics and in similar circumstances. The purpose of the amendment is to provide relief to lessees from the complexity arising in applying the requirements of IFRS 16 to Covid-19 related rent concessions. The amendment will be applied retrospectively and is not expected to have a material impact on the Group.

IAS 1 Presentation of Financial Statements (amendments)

(Effective for annual periods beginning on or after 1 January 2023)
The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined. The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a significant impact on the Group's annual financial statements.

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

Adoption of new and amended standards effective for the current financial year

- IFRS 3 Business Combinations (amendment) (IFRS 3), the amendment clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment will be applied prospectively.

- IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 9 Financial Instruments (amendments) (IFRS 9) and IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). Interest Rate Benchmark Reform resulted in amendments to IFRS 9, IAS 39 and IFRS 7 requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendment will be applied retrospectively.

Early adoption of revised standards:

IFRS 3 Business Combinations (amendments) (IFRS 3).

- This standard requires an entity to refer to the Conceptual Framework for Financial Reporting in determining what constitutes an asset or a liability. The amendments update the reference from the previous version of the Conceptual Framework that existed to the version issued in March 2018 and adds an exception for some types of liabilities and contingent liabilities to refer to IAS 37 instead of the Conceptual Framework. The amendments will be applied prospectively.

IAS 16 Property, Plant and Equipment (amendments) (IAS 16).

- Narrow-scope amendments to IAS 16 for the accounting of amounts received when selling items produced while an entity is preparing an asset for its intended use. The amendments clarify the accounting requirements in prohibiting the entity from deducting such amount from the cost of property, plant and equipment and instead recognising such sales proceeds and related cost in profit or loss. The amendments will be applied retrospectively.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments)

- Narrow-scope amendments to IAS 37 in determining which costs to include in estimating the cost of fulfilling a contract for the purposes of assessing whether that contract is onerous. The amendments clarify that the cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling contracts. The amendments will be applied retrospectively. Adjusting prior periods is not required, but rather adjusting the opening Retained Earnings with the cumulative effect of the amendments on transition date.

- The adoption of new and amended standards on 1 January 2020 did not affect the Group's previously reported financial results, disclosures or accounting policies and did not impact the Group's results upon transition.

Accounting for the Reorganisation

Background
In 2018, the Group started the process of reorganising its corporate structure to include a holding company. The rationale for the reorganization was to enable the entity to undertake other non-banking financial and non-financial services that would be established through the holding company. The reorganization was to be effected through the transformation of the bank into a holding company followed by a hive down of the banking business from the bank (at the time) to a newly incorporated banking subsidiary.

On 31 May 2018, the Bank obtained shareholder approval and later regulatory approvals to proceed with the reorganization leading to a change of its name from Stanbic Bank Uganda Limited (SBUL) to Stanbic Bank Holdings Limited (SBHL). This name change became effective on 28 November 2018 and the commercial banking licence no. A1.013 remained the same as the entity continued to conduct banking business in line with the Financial Institutions Act and Bank of Uganda ("BoU") regulations. The vacated name, SBUL, was reserved for a new banking subsidiary to be incorporated that would subsequently take-on the banking business upon completion of the reorganisation.

This new banking subsidiary (SBUL) was then incorporated on 10 December 2018. BoU approved a commercial banking licence request for this entity on 5 March 2019 under a new licence no. A1.030, subject to the return of the banking license held by SBHL, A1.013. On 27 March 2019, Bank of Uganda approved the transfer of the banking business from SBHL to SBUL.

The reorganisation process was finally completed when the transfer of the banking business was effected on 1 April 2019 and new license A1.030 was issued to the new banking subsidiary, SBUL following the return by SBHL of the old license, A1.013. As the final leg of the reorganisation process, the entity SBHL which wholly owns SBUL, also changed its name from Stanbic Bank Holdings Limited (SBHL) to Stanbic Uganda Holdings limited (SUHL).

Basis of preparation for the financial statements for 2019

The Group has prepared its Financial statements based on the substance of the reorganisations as opposed to its legal form. The substance of the reorganisation provides more useful and comparable information to the readers of the financial statements.

Stanbic Bank Holdings Limited income statement for the quarter ended 31 March 2019

	SBHL 31 March 2019 UShs' 000
Interest income	114,837,754
Interest expense	(8,548,894)
Net interest income	**106,288,860**
Fee and commission income	36,870,538
Fee and commission expenses	(2,137,398)
Net fees and commission income	**34,733,140**
Net trading income	53,015,459
Other operating income	1,536,654
Impairment charge for credit losses	(5,739,922)
Total income after impairment charge	**189,834,191**
Employee benefit expenses	(40,228,446)
Depreciation and amortisation	(10,986,570)
Other operating expenses	(48,337,239)
Profit before income tax	**90,281,936**
Income tax expense	(24,130,558)
Profit for the year	**66,151,378**

The table below shows the income statement for the year ended 31 December 2019 reflecting the financial performance of the banking business for 3 months (1 January 2019 to 31 March 2019) while managed by Stanbic Bank Holdings Limited before completion of the reorganisation and 9 months (1 April 2019 to 31 December 2019) under Stanbic Bank Uganda Limited after the reorganisation.

	2019			2018
	SBHL January-March 2019	SBUL April-December 2019	Consolidated 31 December 2019	SBHL 31 December 2018
	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Interest income	114,837,754	369,572,547	484,410,301	404,291,586
Interest expense	(8,548,894)	(27,235,472)	(35,784,366)	(33,372,120)
Net interest income	**106,288,860**	**342,337,075**	**448,625,935**	370,919,466
Fee and commission income	36,870,538	129,653,433	166,523,971	148,609,405
Fee and commission expenses	(2,137,398)	(7,658,169)	(9,795,567)	(7,377,824)
Net fees and commission income	**34,733,140**	**121,995,264**	**156,728,404**	141,231,581
Net trading income	53,015,459	138,189,607	191,205,066	142,363,350
Other gains and losses on financial instruments	-	347,798	347,798	(509,695)
Other operating income	1,536,654	8,348,964	9,885,618	7,107,404
Total income before impairment charge	**195,574,113**	**611,218,708**	**806,792,821**	661,112,106
Impairment charge for credit losses	(5,739,922)	(37,782,090)	(43,522,012)	(2,271,012)
Total income after impairment charge	**189,834,191**	**573,436,618**	**763,270,809**	658,841,094
Employee benefit expenses	(40,228,446)	(124,771,545)	(164,999,991)	(148,609,404)
Depreciation and amortisation	(10,986,570)	(35,906,279)	(46,892,849)	(29,985,027)
Other operating expenses	(48,337,239)	(154,009,852)	(202,347,091)	(183,568,817)
Profit before income tax	**90,281,936**	**258,748,942**	**349,030,878**	296,677,846
Income tax expense	(24,130,558)	(66,226,748)	(90,357,306)	(81,537,760)
Profit for the year	**66,151,378**	**192,522,194**	**258,673,572**	215,140,086

Notes (continued)
2) Accounting policy elections (continued)
c) Accounting for the reorganisation (continued)

Stanbic Bank Holdings Limited effectively conducted banking business only up to 31 March 2019. It started other streams of business on 1 April 2019 after the reorganisation took effect under it's new name Stanbic Uganda Holdings Limited.

Statement of financial position	SBHL 31 March 2019 UShs' 000	SUHL 1 April 2019 UShs' 000	SBUL 1 April 2019 UShs' 000
Cash and balances with Bank of Uganda	625,511,624	-	625,511,624
Cash at Bank	-	141,897,040	-
Derivative assets	34,171,641	-	34,171,641
Trading assets	641,797,096	-	641,797,096
Financial investments	628,327,441	-	628,327,441
Other investment securities	68,802	-	68,802
Current income tax recoverable	3,978,881	3,978,881	-
Loans and advances to banks	723,074,933	-	723,074,933
Amounts due from group companies	19,170,304	-	19,170,304
Loans and advances to customers	2,546,661,032	-	2,546,661,032
Other assets	134,876,263	-	134,876,263
Property, equipment and right of use asset	85,838,600	2,232,388	83,606,211
Goodwill and other intangible assets	106,572,782	-	106,572,782
Prepaid operating leases	75,400	-	75,400
Deferred tax asset	7,380,825	-	7,708,410
Investment in subsidiary	-	881,068,551	-
Total assets	5,557,505,624	1,029,176,860	5,551,621,939
Shareholders' equity and liabilities			
Shareholder's equity			
Ordinary share capital	51,188,670	51,188,670	51,188,670
Share premium	-	-	829,879,881
Statutory credit risk reserve	12,391,393	-	12,391,393
Fair value through other comprehensive income reserve	6,558,160	-	6,558,160
Retained earnings	857,743,838	867,986,774	(10,242,912)
Proposed dividends		-	-
Total shareholders equity	927,882,061	919,175,444	889,775,192
Liabilities			
Derivative liabilities	19,144,740	-	19,144,740
Deposits from customers	3,760,954,277	-	3,760,954,277
Deposits from banks	232,768,364	-	374,665,404
Amounts due to group companies	95,673,273	-	95,673,273
Borrowed funds	1,943,527	-	1,943,527
Other liabilities	444,824,762	109,673,832	335,150,906
Subordinated debt	74,314,620	-	74,314,620
Deferred tax liability	-	327,584	-
Total liabilities	4,629,623,563	110,001,416	4,661,846,747
Total equity and liabilities	5,557,505,624	1,029,176,860	5,551,621,939

The Bank was transferred at book value therefore no gain or loss was reorganised.

Non divested Items	UShs' 000
Fixed assets	2,232,388
Cash	141,897,040
Current tax	3,978,881
Deferred tax	(327,584)
Other liabilities (Dividends payable)	(109,673,832)
Total	38,106,893

Please refer to note 2(iii) for the detailed accounting policies applied in the preparation of the financial statements.

(ii) Key management assumptions

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. While models have been enhanced, no material changes to assumptions have occurred during current or prior reporting periods apart from those mentioned below. The following represents the most material key management assumptions applied in preparing these financial statements.

Expected credit loss (ECL) on financial assets - IFRS 9 drivers

For the purpose of determining the ECL:

- The PBB (Personal Business Banking) portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The IFRS 9 impairment provision calculation has been amended to exclude post write off recoveries (PWOR) from the loss given default (LGD) in calculating the expected credit loss impairments.
- CIB exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

- The ECL measurement period for stage 1 exposures is 12-months (or the remaining tenor of the financial asset for CIB exposures if the remaining lifetime is less than 12-months).
- A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- Lifetimes include consideration for multiple default events,i.e. where defaulted exposures cure and then subsequently re default. This consideration increases the lifetime periods and the potential ECL.
- The measurement periods for unutilised loan commitments utilise the same approach as on-balance-sheet exposures.

Significant increase in credit risk (SICR) and low credit risk

PBB

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio category of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk.

The Group also determines an appropriate transfer rate of exposures from stage 1 to stage 2 by taking into account the expected levels of arrears status for similar exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR throughout the life of the exposure and consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's non-rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

CIB (including certain PBB business banking exposures)

The Group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the Group's 25-point master rating scale.

Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate. CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre- defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the Group's master rating scale as investment grade are assessed for SICR at each reporting date but are considered to be of a low credit risk.

To determine whether a client's credit risk has increased significantly since origination, the Group would need to determine the extent of the change in credit risk using the table below.

Master rating scale band	SICR trigger (from origination)
SB 1 - 12	Low credit risk
SB 13 - 20	3 rating or more
SB 21 - 25	1 rating or more

Incorporation of forward looking information in ECL measurement

The Group determines the macroeconomic outlook, over a planning horizon of at least three years, based on the Group's global outlook and its global view of commodities.

For PBB these forward looking economic expectations are included in the ECL where adjustments are made based on the Group's macro- economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the Group's macro- economic outlook expectations. In addition to forward-looking macroeconomic information, other types of FLI (Forward Looking Information), such as specific event risk, have been taken into account in ECL estimates when required, through the application of out-of-model adjustment.

The Group's macroeconomic outlooks are incorporated in CIB's client rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the Group's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the Group's internal credit risk management approach and definitions. Whilst the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Group has not rebutted IFRS 9's 90 days past due rebuttable presumption.

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding (i.e. no reasonable expectation of recovery). This assessment considers both qualitative and quantitative information, such as past performance, behaviour and recoveries. The Group assesses whether there is a reasonable expectation of recovery at an exposure level. As such once the below criteria are met at an exposure level, the exposure is written off.

The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the Group is able to receive any further economic benefit from the impaired loan. The period defined for unsecured PBB products are determined with reference to post-default payment behaviour such as cumulative delinquency, as well as an analysis of post write-off recoveries. Factors that are within the Group's control are assessed and considered in the determination of the period defined for each product. The post-default payment period is generally once the rehabilitation probability (repayment of arrear instalments) is considered low to zero, and a period of 180 days post default with no payments; and

Notes (continued)
2) Accounting policy elections (continued)
(ii) Key management assumptions (continued)

- at the point of write-off, the financial asset is fully impaired (i.e. 100% ECL allowance) with no reasonable expectation of recovery of the asset, or a portion thereof. As an exception to the above requirements: where the exposure is secured (or for collateralised structures), the impaired exposure can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. CIB products, write-off are assessed on a case-by-case basis, and approved by credit governance committee based on the individual facts and circumstances.

For unsecured exposures, post write-off collection and enforcement activities include outsourcing to external debt collection agents as well as, collection/settlement arrangements to assist clients to settle their outstanding debt. The Group continuously monitors and reviews when exposures are written off, the levels post write of recoveries as well as the key factors causing post write-off recoveries. which ensure that the Group's point of write-off remains appropriate and that post write-off recoveries are within expectable levels after time.

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). In the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Group's CIB or PBB Credit Governance Committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

Amendments to the estimation technique

Refinements to some of the PBB ECL models have been made during the course of 2020. The amendments include improved SICR classification and enhancements to certain assumptions within the modelling techniques ECL calculations.

Stanbic Uganda's forward-looking economic expectations were applied in the determination of the ECL at the reporting date

A range of base, bullish and bearish forward-looking economic expectations were determined, as at 31 December 2020, for inclusion in Group's forward-looking process and ECL calculation.

Ugandan economic expectations

The base case is the forecast showing the most likely trend in which key economic indicators will evolve. It is assigned a 65% probability. For instance, the CBR is expected hold at 7% through 2021. Holding this signal rate low, continues to signal to supervised financial institutions to ease their lending rates thus making credit more affordable hence support economic growth recovery from the COVID-19 adverse effects on economic activity.

The bear case on the other hand shows the possible pessimistic trend in which key economic indicators may evolve and is assigned a probability of 25%. For instance, the CBR is expected to be hiked to forestall strong inflationary pressures. In this case GDP growth is forecast to take much longer to recover from the trough of Q2:2021 as the second and third COVID-19 wave in global economies, dampens demand for Uganda's exports.

The bull case shows the possible optimistic trend in which key economic indicators may evolve and is assigned a probability of 10%. For instance, the CBR is expected to be reduced to stimulate the otherwise sluggish private sector credit growth since inflationary pressures from foreign exchange are deemed low as the local currency remains relatively stable.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the IFRS 9 provision on financial assets. For each scenario, namely, the base case, bullish and bearish scenario, the average values of the factors over the next 12 months, and over the remaining forecast period, are presented.

2020	Base scenario		Bearish scenario		Bullish scenario	
Macroeconomic factors	Next 12 months	Remaining forecast period[2]	Next 12 months	Remaining forecast period[2]	Next 12 months	Remaining forecast period[2]
Uganda						
Inflation (%)	**4.8**	**4.2**	**6.4**	**5.6**	**4.1**	**2.9**
Real GDP[1] (%)	**5.0**	**6.7**	**3.9**	**6.0**	**6.4**	**7.5**
Policy Rate (%)	**7.0**	**6.5**	**9.0**	**8.0**	**6.5**	**5.5**
91-Day T-Bill (%)	**8.3**	**8.4**	**11.0**	**10.5**	**7.5**	**7.6**
Exchange rate USD/UGX	**3808**	**3961**	**4240**	**4271**	**3719**	**3796**
Prime lending rate (%)	**16.0**	**14.5**	**18.0**	**16.0**	**15.5**	**13.5**
2019						
Uganda						
Inflation (%)	4.7	5.2	5.7	6.2	3.9	3.9
Real GDP1 (%)	6.2	6.7	5.6	6.3	6.4	7.3
Policy Rate (%)	9.5	9.5	10.5	10.5	8.5	8.5
91-Day T-Bill (%)	9.6	10.3	12.8	11.2	9.0	8.9
Exchange rate USD/UGX	3850	4135	4033	4228	3741	3953
Prime lending rate (%)	17.5	17.5	18.5	18.5	16.5	16.5

1 Gross domestic product 2 The remaining forecast period is 2022 to 2024
2020 - The scenario weighted average is: Base at 55%, Bull at 25% and Bear at 20%
Base scenario: A scenario based on the most likely/expected macro-economic factors.
Bearish scenario: A scenario based on plausible but more conservative macro-economic factors
Bullish Scenario: A scenario based on plausible but more optimistic macro-economic factors

Sensitivity analysis of CIB forward looking impact on IFRS 9 provision

Management assessed and considered the sensitivity of the IFRS 9 provision against the forward looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting IFRS 9 provision for the individual client. Therefore the impact of forward looking economic conditions is embedded into the total IFRS 9 provision for each CIB client and cannot be stressed or separated out of the overall CIB IFRS 9 provision.

Notes (continued)
2) Accounting policy elections (continued)
(ii) Key management assumptions (continued)

Sensitivity analysis of PBB forward looking impact on IFRS 9 provision

The following table shows a comparison of the forward looking impact on the IFRS 9 provision as at 31 December 2020 based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% weighing of the above factors.

Macroeconomic factors

Allowances for credit losses	2020 UShs	2019 UShs
PBB Forward looking impact on IFRS 9 provision scenarios		
100% Base	**2,344,346**	8,491,206
100% Bear	**12,419,980**	14,378,845
100% Bull	**1,915,772**	6,062,550

Refer to notes 18 and19 loans and advances, for the carrying amounts of the loans and advances and the credit risk section of the risk and capital management report for the Group's assessment of the risk arising out of the failure of counter parties to meet their financial or contractual obligations when due.

Group's response to Covid 19.

Background

Following the global novel corona virus (COVID-19) outbreak in March 2020, the Government announced that in a bid to curb the spread of the COVID-19 virus, specific measures would take effect, and this resulted in a hard lockdown that impacted majority of the sectors in the economy, with only minimal operations limited to the essential service sectors.

In April 2020, Bank of Uganda (BOU) put in place Credit Relief Measures aimed at maintaining financial stability and reducing the economic impact of COVID-19. Guidelines were also issued to Commercial Groups, Credit Institutions and Microfinance Deposit-taking Institutions (MDIs) on how to apply the measures.

BOU allowed Supervised Financial Institutions to restructure any loan affected by the COVID-19 pandemic as long as this was done within one-year effective April 1st 2020. Within this period, eligible borrowers can have their loans restructured for up to two (2) times, and any further restructuring can be applied for and approved by BOU.

In response to the pandemic, The Group initiated a Rapid Risk Review exercise to assess the credit risk profile of all the exposures on the book given the unfolding disruption triggered by the pandemic. Counterparties with perceived high risk were placed under close monitoring as the pandemic evolved. Regular sector focused reviews were instituted and sectors under increased risk were identified. The risk appetite for the affected sectors was moderated accordingly.

Furthermore, a framework to consider credit accommodations directly linked to COVID-19 was established to expedite credit relief with due consideration of the risk assumed and in accordance with BOU guidelines.

PBB IFRS 9 Impairment Model Overlays:

The portfolio Model

For the portfolio model the Group applied an enhanced Significant Increase in Credit Risk (SICR) rule that includes downgrading customers that are identified to have relatively lower turnovers. These transfers are done in addition to the other SICR components of historical delinquency and any qualitative factors

The corporate model

Counterparty specific review of the population was undertaken to determine counterparties with indicators of elevated risk. To these counterparties, we applied downgrades, thus the linked Probability of Default (PD) and higher impairments for any counterparties with elevated risk. The overlay was applied to identified increased credit risk and thus transfer accounts from Stage 1 to Stage 2. Thus Overlay amount does not apply to Stage 1. The overlay proactively resulted into transfer of counterparties to Stage 2 in account of additional stress. The provisions are therefore accounted for under this stage 2 resulting into additional provisions of UShs 1,676 Million. This amount is derived by comparing the total ECL position after including these transfers and the total ECL position without these transfers as at 31 December 2020.

The forward looking Model

Adoption of a minimum forward-looking for loans under stage 3 percentage (PD equivalent). This is obtained by comparing the statistically derived Forward Looking loans under stage 3 ratio based on most recent trends and comparing it to the actual under stage 3 ratio and in instances where the latter is greater, the parameter is adopted after applying an incremental percentage based on information available at the time. This model overlay has been adopted to cater for any uncertainty that comes with the impact of Covid 19 on the PBB portfolio at large.

Approach to stage 3 impairment

Overlay applied on inputs to the provisions of loans under stage 3 exposures in terms of the timing of the cashflows expected to be realised from the recovery and rehabilitation; we maintained cashflows in the initial projection period irrespective of passing of time and drawing closer to the realisation date thus maintaining the provisions as we monitor the Covid-19 environment. In addition, the statistically derived cashflow realisation period for fixed property was increased by 100% in order to cater for any protracted recovery scenarios as a result of the pandemic's impact.

Outstanding Covid 19 related restructures as at 31st December 2020

	Personal and Business Banking	Corporate and Investment Banking
Credit exposure		
Restructured loans and advances.	**149,497,261**	**7,224,651**
Provisions held		
Stage 1	**741,460**	**3,547**
Stage 2	**2,009,394**	**44,579**
Stage 3	**3,235,698**	**-**

Progress on normalization of activities is reported to the Credit Risk Management Committee and the Board Credit Committee. All clients across all segments remain subject to risk reviews with a view to establish the vulnerable entities given the emerging situation under COVID-19. Overall, the impact of COVID-19 on the portfolio has dampened economic activity with temporary effects noted save for tourism linked businesses, trade related SMEs and some segments of the real estate sectors.

Basing on the information available, adequate provisions have been taken on a forward-looking basis and management has determined that the impairment model outputs were reasonable.

Fair value

Financial instruments

In terms of IFRS, the Group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the Group and, in particula, provides assurance that the risk and return measures that the Group has taken are accurate and complete.

Valuation process

The Group's valuation control framework governs internal control standards, methodologies and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the Group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the Group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to:

- credit spreads on illiquid issuers
- implied volatilities on thinly traded instruments
- correlation between risk factors
- prepayment rates
- other illiquid risk drivers.

In making appropriate valuation adjustments, the Group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- raising day one profit or loss provisions in accordance with IFRS
- quantifying and reporting the sensitivity to each risk driver
- prepayment rates
- limiting exposure to such risk drivers and analysing exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the Group's model validation unit. This control applies to both off-the-shelf models, as well as those developed internally by the Group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the Group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed, and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values.

Portfolio exception: The Group has, on meeting certain qualifying criteria, elected the portfolio exception which allows an entity to measure the fair value of certain Groups of financial assets and financial liabilities on a net basis similar to how market participants would price the net risk exposure at the measurement date.

The total amount of the change in fair value estimated using valuation techniques not based on observable market data that was recognised in profit or loss for the year ended 2020 was a net gain of UShs 16.8million (2019: UShs 1.0 million net Loss).

Refer to note 3(h) fair value hierarchy disclosures.

Computer software intangible assets

The Group reviews its assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates, significant changes in macroeconomic circumstances or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amount.

Through the performance of the impairment test, only one intangible asset has been identified as impaired:

- KYC software (impairment of UShs 1,508 million)

The recoverable amount is determined as the higher of an asset's fair value less cost of disposal and its value in use. The value in use is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate.

The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount.

During 2020, the Group's computer software assets' recoverable values were determined to be lower than their carrying values and were impaired by a total amount of UShs 1,508 million (2019: nil).

Current and deferred tax

The Group is subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The Group recognise provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 14 and note 20, respectively, in the period in which such determination is made. Uncertain tax positions are provided for in accordance with the criteria defined within IAS 12 Income Taxes and IFRIC 23. 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. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded, include determining whether there is an obligation, as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. For legal provisions, management assesses the probability of the outflow of resources by taking into account historical data and the status of the claim in consultation with the Group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial results. Refer to note 34 off- Balance sheet Financial instruments, contingent liabilities and commitments disclosures.

(iii) Detailed Accounting Policies

(a) Financial instruments

Initial measurement - financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the Group commits to purchase (sell) the instruments (trade date accounting).

Financial assets

Nature

(i) Amortised cost

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):

- Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and
- 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.

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered minimal and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.

(ii) Fair value through OCI

A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):

- Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and
- 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.

This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default. Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.

(iii) Held for trading

Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(iv) Designated at fair value through profit or loss

Financial assets are designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

(v) Fair value through profit or loss – default

Financial assets that are not classified into one of the above mentioned financial asset categories.

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

(i) Amortised cost

Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges.

Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.

(ii) Fair value through OCI

Debt instrument: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss.

(iii) Held for trading

Designated at fair value through profit or loss

Fair value through profit or loss – default

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.

Impairment

ECL is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are not measured at fair value through profit or loss. The measurement basis of the ECL of a financial asset includes assessing whether there has been a SICR at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default • significant financial difficulty of borrower and/or modification • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

The key components of the impairment methodology are described as follows:

Significant increase in credit risk (SICR)	At each reporting date the Group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or group of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider. Exposures which are overdue for more than 90 days are also considered to be in default.
Forward-looking information	Forward-looking information is incorporated into the Group's impairment methodology calculations and in the Group's assessment of SICR. The Group includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

Reclassification

Reclassifications of debt financial assets are permitted when, and only when, the Group changes its business model or managing of its financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments
- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value
- The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value
- The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at the date of reclassification.

Financial liabilities

Nature

Held-for-trading

Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Designated at fair value through profit or loss

Financial liabilities are designated to be measured at fair value in the following instances:

- to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed and their performance evaluated and reported on a fair value basis.
- where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.

Amortised cost

All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading

Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.

Designated at fair value through profit or loss

Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue.

Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.

Amortised cost

Amortised cost using the effective interest method recognised in interest expense.

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised or modified in the following instances:

	Derecognition	Modification
Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

Financial guarantee contracts or loan commitment below market rate

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee.

A loan commitment is described in IFRS 9 as a firm commitment to provide credit under specified terms and conditions. It is a binding promise from a lender that a specified amount of loan or line of credit will be made available to the named borrower at a certain interest rate, during a certain period and, usually, for a certain purpose. Loan commitments at a below market interest rate are initially recognised when the group and company become party to the irrevocable commitment at fair value.

Financial guarantee contracts (that are not designated at fair value through profit or loss) and loan commitments at a below market interest rate, are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee or loan commitments; or
- unamortised premium.

Statutory Credit Risk Reserve

In addition to the measurement of impairment losses on loans and advances in accordance with the International Financial Reporting Standards (IFRS) as set out above, Stanbic Bank Uganda Limited is required by the Financial Institutions Act (FIA) 2004, as amended to establish minimum provisions for losses on loans and advances as follows:

i) A specific provision for those loans and advances considered to be non-performing based on criteria and classification of such loans and advances established by the Bank of Uganda, as;

a) Substandard assets being facilities in arrears between 90 and 179 days – 20%.

b) Doubtful assets being facilities in arrears between 180 days and 364 days – 50%.

c) Loss assets being facilities in arrears between over 364 days – 100%.

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

Where provisions for impairment of loans and advances determined in accordance with the Financial Institutions Act 2004, as amended exceed amounts determined in accordance with International Financial Reporting Standards, the excess is taken to the statutory credit risk reserve as an appropriation of retained earnings. Otherwise, no further accounting entries are made.

The financial assets and liabilities below have been included on the face of the statement of financial position.

(i) Due from other banks and group companies

Due from other banks includes inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Financial investments

Included in the financial investments are investment securities which include interest-bearing assets classified as financial investments are measured at fair value and equity investments. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics and equity securities at fair value through profit and loss.

(iv) Financial liabilities

Included in the financial liabilities amounts due to other banks, customers and group companies. The estimated fair value of deposits with no stated maturity, which includes non- interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest- bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(b) Interest income and expense

Interest income and expense are recognised in the profit or loss using the effective interest method for all interest bearing financial instruments, except for those classified at fair value through profit or loss.

The 'Effective interest rate' is the rate that exactly discounts estimated future payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial assets; or
- The amortised cost of the financials liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit- impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument but not ECL. For purchased or originated credit- impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

Interest income and expense presented in the income statement include interest on financial assets and financial liabilities measured at amortised cost.

When loans and advances become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the original effective interest rate that is used to discount future cash flows for the purpose of measuring the recoverable amount.
Fair value gains and losses on realised debt financial instruments, including amounts reclassified from OCI in respect of financial investments financial assets, and excluding those classified as trading assets, are included in net interest income.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(c) Net fees and commission

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commissions and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period.

Loan syndication fees, where the Group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income. The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expenses, included in net fee and commission revenue, are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

(d) Net trading revenue

Net trading revenue comprises gains or losses related to trading assets and liabilities, and include all realised and unrealised fair value changes, interest and foreign exchange differences.

(e) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of other operating income based on the underlying classification of the equity investment.

(f) Segment reporting

An operating segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments and whose operating results are reviewed to assess its performance and for which discrete financial information is available. The Group's primary business segmentation is based on the Group's internal reporting about components of the Group as regularly reviewed by the Board and executive management committees. Segments results include items directly attributable to a segment as well as those that are allocated on a reasonable basis. Business segments are the only segments presented since the Group operates in a single geographical segment, Uganda.

(g) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land and buildings
50 years or over the shorter
period of lease

Furniture and fittings
5 years

Motor vehicles
5 years

Other computer equipment
5 years Laptops and personal computers
4 years Office equipment
8 years

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

(h) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 of disposal and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (Cash – generating units). Prior impairments of non- financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

(i) Income tax

Income tax expense is the aggregate of the charge to the income statement in respect of current income tax and deferred income tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences.

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 rates used are based on laws enacted or substantially enacted at the reporting date.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax 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, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised or for items recognised in OCI and Equity.

Deferred tax is recognised in direct taxation except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Deferred tax is recognised in respect of temporary differences

arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses
- investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.
Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using tax rates currently enacted.

(j) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months'maturity from the date of acquisition, including cash and non-restricted balances with Central Banks, treasury bills and other eligible bills, loans and advances to Banks, amounts due from other Banks and government securities.

(k) Accounting for leases

IFRS 16 significant accounting policies

TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	INCOME STATEMENT
IFRS 16 - Lessee Accounting policies		
Single lessee accounting model All leases are accounted for by recognising a right-of-use asset and a lease liability except for: leases of low value assets; and leases with a duration of twelve months or less.	**Lease liabilities:** Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the Group) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The Group's standardised funding transfer pricing rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes: • Amounts expected to be payable under any residual value guarantee; • The exercise price of any purchase option granted in favour of the Group, should it be reasonably certain that this option will be exercised; • Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised. Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. **Right-of-use assets:** Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: • lease payments made at or before commencement of the lease; • initial direct costs incurred; and • the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset. The Group applies the cost model subsequent to the initial measurement of the right-of-use assets. **Termination of leases:** When the Group or lessor terminates or cancels a lease, the right-of-use asset and lease liability are derecognised.	**Interest expense on lease liabilities:** A lease finance cost, determined with reference to the interest rate implicit in the lease or the Group's incremental borrowing rate, is recognised within interest expense over the lease period. **Depreciation on right-of-use assets:** Subsequent to initial measurement, the right- of-use assets are depreciated on a straight- line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the Group at the end of the lease term, whereby the right-of-use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of depreciation and amortisation. **Termination of leases:** On derecognition of the right-of-use asset and lease liability, any difference is recognised as a derecognition gain or loss together with termination or cancelation costs in profit or loss.

TYPE AND DESCRIPTION	STATEMENT OF FINANCIAL POSITION	INCOME STATEMENT
IFRS 16 - Lessee Accounting policies continued		
All leases that meet the criteria as either a lease of a low value asset or a short term lease are accounted for on a straight-line basis over the lease term.	Accruals for unpaid lease charges, together with a Payments made under these leases, net straight-line lease asset or liability, being the difference of any incentives received from the lessor, between actual payments and the straight-line lease are recognised in operating expenses on expense are recognised. a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.	
Reassessment and modification of leases	**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:** When the Group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right-of-use asset is reduced to zero any further reduction in the measurement of the lease liability, is recognised in profit or loss. For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease. **Lease modifications that are accounted for as a separate lease:** When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modification as a separate new lease. This accounting treatment equally applies to leases which the Group elected the short-term lease exemption and the lease term is subsequently modified.	
IFRS 16 - Lessor lease modifications		
Finance leases	When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modifications as a separate new lease. All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.	
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.	

(l) Employee benefits

(i) Retirement benefit obligations

The Group operates a defined contribution pension scheme for its employees. The defined contribution plan is a pension plan under which the Group pays fixed contributions into a fund managed by a board of trustees and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

In addition all employees are obliged to be members of the National Social Security Fund, a state managed defined contribution pension scheme. The Group contributes to the scheme in line with the requirements of the National Social Security Fund Act. The regular contributions by the Group and employees constitute net periodic costs for the year in which they are due and as such are included in employee benefit expenses.

The Group's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate.

(ii) Short term benefits

Short term benefits consist of salaries, accumulated leave payments, bonuses and any non-monetary benefits such as medical aid contributions. Short-term employee benefit obligations are measured on an undiscounted basis and are expenses as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus plans or accumulated leave if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement

date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be
reliably estimated. A liability is recognised tothe best estimate of the amount to settle the obligation

(iv) Share based payment transactions

The grant date fair value of equity-settled share-based payment awards (i.e.stock options) granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The estimate of the number of options/shares expected to vest is reassess the remaining vesting period. Also include the accounting treatment upon vesting and settlement of shares/options.

(v) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

(m) Derivative financial instruments

Derivatives and embedded derivatives

In the normal course of business, the Group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities. Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Embedded derivatives included in hybrid instruments, where the host is a financial asset, is assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant Group accounting policy.
The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

(n) Sale and repurchase agreements

Sale and repurchase agreements and lending of securities (including commodities)

Securities sold subject to linked repurchase agreements (repurchase agreements) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposits and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate.
For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability. Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

(O) Contingent liabilities

Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are considered remote.

(p) Intangible assets

Goodwill

Goodwill arises on business combinations and represents the excess of the consideration transferred over the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non – controlling interest in the acquiree.

Goodwill on acquisitions is reported in the statement of financial position as an intangible asset.

At each statement of financial position date the Group assesses whether there is any indication of impairment. If such indications exist, The goodwill is first allocated to a cash generating unit (CGU) once an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable.

A write down is made if the carrying amount exceeds the recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of other assets in the CGU on a pro rata basis.

Computer software development costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group 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 an 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.

- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed fifteen years.

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 on the basis of the expected useful lives.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees.

A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the statement of financial position date.

(r) Share capital

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Ordinary shares are classified as equity.

Dividends on ordinary shares

Dividends on ordinary shares are charged to equity in the period in which they are declared. Dividends declared after the statement of financial position date are disclosed in the dividend note. This is transferred from retained earnings to a separate item of equity.

Earnings per share

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

(s) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to other Groups, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial investment, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the statement of financial position date.

(t) Equity compensation plans

The parent company operates two equity settled share based compensation plans through which certain key management staffs of the Group are compensated. The fair value of equity settled share options is determined on the grant date and accounted for as an employee service expense over the vesting period of the share options. At each Statement of financial position date the estimate of the number of options expected to vest is reassessed and adjusted against income over the remaining vesting period.

(u) Offsetting

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

(v) Consolidation of entities

The Group controls and consolidates an entity where the Group has power over the entity's relevant activities; is exposed to variablereturns from its involvement with the investee; and has the ability to affect the returns through its power over the entity, including structured entities (SEs). Determining whether the Group controls another entity requires judgement by identifying an entity's relevant activities, being those activities that significantly affect the investee's returns, and whether the Group controls those relevant activities by considering the rights attached to both current and potential voting rights, de facto control and other contractual rights including whether such rights are substantive. Interests in unconsolidated SEs that are not considered to be a typical customer-supplier relationship are required to be identified and disclosed. The Group regards an interest to be a typical customer-supplier relationship where the level of risk inherent in that interest in the SE exposes the Group to a similar risk profile to that found in standard market-related transactions. The Group sponsors an SE where it provides financial support to the SE when not contractually required to do so. Financial support may be provided by the Group to an SE for events such as litigation, tax and operational difficulties.

When the Group ceases to have control in an entity, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3. Financial Risk Management

3(a) Strategy in using financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. Risk management is carried out centrally under policies approved by the Board of Directors. The Global Markets team identifies, evaluates and hedges financial risks in close co-operation with the Group's 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, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

The Group also seeks to raise its interest margins by obtaining above- average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-statement of financial position loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds. The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments to take advantage of short-term market movements in bonds, currency and interest rate. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Foreign exchange and interest rate exposures associated derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

3(b) Capital management

The Group's objectives when managing capital, which is a broader concept than the equity on the face of the statement of financial position, are:

(b) Capital management (continued)

- To comply with the capital requirements of the regulator, Bank of Uganda, that are enshrined in the Financial Institutions Act and accompanying Financial Institutions (Capital Adequacy Requirements) Regulations, 2018.
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group's banking subsidiary - Stanbic Bank Uganda Limited (The "Bank") monitors the adequacy of its capital using capital adequacy ratios established under the Financial Institutions Act 2004, as amended (FIA) which ratios are broadly in line with those for the Bank for International Settlements (BIS). In addition under the same law, the Bank is required to maintain minimum paid up capital of UShs 25 bn. The Bank is compliant with this requirement with a holding of UShs 51 bn. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, off- balance- sheet commitments at weighted amounts to reflect their relative risk.

The market risk approach covers the general market risk and the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, and 100%) are applied. Certain asset categories have intermediate weightings. The Bank is required at all times to maintain a core capital (tier 1) of not less than 10% of total risk adjusted assets plus risk adjusted items off the statement of financial position and a total capital (tier 1 + tier 2) of not less than 12% of its total risk adjusted assets plus risk adjusted items off the statement of financial position.

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 statement of financial position equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets.

Tier 1 capital consists of shareholders' equity comprising paid up share capital, share premium and retained earnings less intangible assets, deferred income tax asset and investments in financial companies, not consolidated. Tier 2 capital includes the Bank's eligible long-term loans, and general provisions. Tier 2 capital is limited to 50% of Tier 1 capital.

The table below summarizes a composition of regulatory capital

	2020 UShs'000	2019 UShs'000
Core capital (Tier 1)		
Shareholders' equity	**51,188,670**	51,188,670
Share Premium	**829,879,881**	829,879,881
Retained earnings	**208,791,259**	57,204,143
Less: Deductions determined by Bank of Uganda	**(171,895,125)**	(160,278,679)
Total core capital	**917,964,685**	777,994,015
Supplementary capital (Tier 2)		
Unencumbered general provisions for losses	**55,722,812**	46,212,202
Subordinated term debt	**73,022,525**	73,280,466
Total supplementary capital	**128,745,337**	119,492,668
Total capital (core and supplementary)	**1,046,710,022**	897,486,683

Breakdown of deductions determined by the Financial Institutions Act 2004, as amended

	2020 UShs'000	2019 UShs'000
Good will and other intangible assets	**93,447,576**	97,068,254
Unrealised gains on securities	**32,073,957**	32,011,457
Deferred tax asset	**43,860,049**	31,198,968
Fair value through other comprehensive income reserve (loss)	**2,513,543**	-
	171,895,125	160,278,679

Notes (continued)
3) Financial Risk Management (continued)
(b) Capital management (continued)

The Bank's capital adequacy level was as follows:

	Risk Weight	Financial position nominal balance		Risk weighted balance	
		2020	2019	2020	2019
		UShs'000	UShs'000	UShs'000	UShs'000
Statement of financial position					
Cash and balances with bank of uganda	0%	1,155,797,738	1,123,942,143	-	-
Financial investments	0%	721,573,358	766,177,716	-	-
Other financial investments	100%	199,424	182,655	199,424	182,655
Trading assets	0%	1,101,949,038	612,551,104	-	-
Pledged assets	0%	460,527,242	29,455,491	-	-
Placements with local banks	20%	91,104,336	537,809,285	18,220,867	6,345,624
Placements with foreign banks*		592,940,361	283,620,312	329,705,881	157,128,651
Amounts due from group companies	100%	354,917,315	89,059,084	354,917,315	89,059,084
Loans and advances to customers-regulatory basis	100%	3,710,775,005	2,913,206,972	2,987,077,846	2,910,997,379
Other assets	100%	241,548,747	120,185,495	241,548,747	120,185,495
Deferred tax asset	0%	43,860,049	31,198,968	-	-
Goodwill	0%	1,901,592	1,901,592	-	-
Other intangible assets	0%	91,545,984	95,166,662	-	-
Property, equipment and right of use asset	100%	80,159,638	88,055,706	80,159,638	88,055,706
		8,648,799,827	6,692,513,185.	4,011,829,718	3,371,954,594
Off-balance sheet items					
Contingencies secured by cash collateral	0%	37,706,448	45,810,145	-	-
Guarantees and acceptances	100%	33,937,949	26,818,782	33,937,949	26,818,782
Performance bonds	50%	1,564,579,190	1,507,654,609	782,289,595	753,827,305
Trade related and self liquidating credits	20%	225,282,651	127,732,179	45,066,394	25,546,436
Other commitments	50%	1,433,445,628	1,041,694,219	716,722,814	520,847,110
		3,294,951,866	2,749,709,934	1,578,016,752	1,327,039,633
Counterparty risk				13,384,030	9,529,296
Market risk				221,981,066	208,689,994
Total risk weighted assets				5,825,211,566	4,917,213,517

***Placements with foreign banks**

The risk weights applied to balances with foreign banks are detemined in accordance with the internal credit rating of the bank as follows;

Category	Risk Weight	Financial position nominal balance		Risk weighted balance	
		2020	2019	2020	2019
		UShs' 000	UShs' 000	UShs' 000	UShs' 000
Rated AAA to AA (-)	20%	476,179	6,484,738	95,236	1,296,947
Rated A (+) to A (-)	50%	525,707,074	242,607,740	262,853,537	121,303,870
Rated A (-) to non-rated	100%	66,757,108	34,527,834	66,757,108	34,527,834
	Total	592,940,361	283,620,312	329,705,881	157,128,651

Tier 1 and Tier 2 capital

	Capital		Bankratio		FIAminimumratio	
	2020	2019	2020	2019	2020	2019
	UShs'000	UShs'000	%	%	%	%
Tier 1 capital	917,964,685	777,994,015	15.8%	15.8%	10%	10%
Tier 1 + Tier 2 capital	1,046,710,022	897,486,683	18.0%	18.3%	12%	12%

The financial institutions (Capital Buffers and Leverage Ratio) Regulations, 2020 were gazetted and took effect on 31 December 2020. One of the objectives is to provide financial institutions with a buffer for losses during periods of financial and economic stress without breaching the minimum core capital and total capital adequacy requirements so as to protect the financial institutions sector from the build-up of systemic risks of systemic risks during an economic upswing when aggregate credit growth tends to be excessive and reduce the likelihood of impairment or failure of systemically important financial institutions.

This introduces a Capital Conservation buffer of 2.5%, a Systemic Risk Buffer for domestic systemically important banks ranging from 0% to 3.5% and a Countercyclical Buffer ranging from 0% to 2.5%. The buffers are calculated as a percentage of total risk adjusted assets plus risk adjusted off balance sheet items. The buffers are added on the minimum total capital and core capital ratios.

The regulations also introduce a minimum leverage ratio of 6%. This is calculated as the core capital divided by the total balance sheet plus off-balance sheet exposure.

The Bank of Uganda will prescribe the required systemic risk buffer and the countercyclical buffer to financial institutions. The Bank's capital adequacy ratio of 15.9% and 18.1% for core capital and total capital respectively as well as the leverage ratio at 7.7% is within the regulatory requirements.

Loans and advances to customers are stated net of provisions as determined in accordance with the Financial Institutions Act, 2004 as ammended.

1. The risk weight for local banks is 20% and for balances with Bank of Uganda is 0%.
2. Foreign banks are rated based off the risk ratings from international rating agencies. These are categorized as below;

Loans and advances to customers for regulatory capital purposes

	2020 UShs'000	2019 UShs'000
Gross loan and advances	**3,798,199,309**	2,986,849,675
Specific provisions (regulatory)	**(72,229,055)**	(68,318,787)
Interest in suspense (regulatory)	**(15,195,249)**	(5,323,917)
	3,710,775,005	2,913,206,971
Less		
Loans secured by government securities	**(49,110,068)**	(2,209,592)
Loan to Government of Uganda	**(672,367,601)**	-
Loans secured by cash cover	**(2,219,490)**	-
Loans secured by inward bankers guarantees	**(7,682,580)**	-
	2,979,395,266	2,910,997,379

Reconciliation of Loans and advances to customers between IFRS and FIA

	2020 UShs'000	2019 UShs'000
Gross loans and advances (IFRS purposes)	**3,791,098,436**	2,974,829,460
Written off facilities according to FIA 2004, as amended	**(19,309,907)**	(18,395,419)
Loans and advances to other financial institutions	**-**	(31,501,893)
Staff loans fair value adjustment	**15,927,551**	18,659,162
Modification	**(266,740)**	(105,663)
Effective interest rate adjustment	**10,749,969**	11,862,135
Gross loans and advances (regulatory purposes)	**3,798,199,309**	2,955,347,782

Stanbic Bank Uganda Limited holds loans and advances for which it is required to write them off in accordance with the Financial Institutions Act 2004, as amended (FIA). However, these loans are not yet due for write off in accordance with IFRS. These facilities are adjusted out of the loan book when preparing capital ratios.

Adjustments were made for other IFRS requirements to arrive at the loans and advances amounts under the Financial InstitutionsAct 2004, as amended (FIA).

The Group's credit concentration

As at 31 December 2020, the Group had two customers with an aggregate amount exceeding twenty five percent of the Group's core capital extended to a single person or group of related persons totalling to UShs 672,367 million on balance and UShs 386,643 million off balance sheet exposures for which Bank of Uganda no objection was obtained.

3(c) Credit risk

Definition

Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk (including borrowers and trading counterparties), concentration risk and country risk.

Approach to managing and measuring credit risk

The Group's credit risk is a function of its business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk arising from derivative and securities financing contracts entered into with our customers and trading counterparties. The management of credit risk is aligned to the Group's three lines of defence framework. The business function owns the credit risk assumed by the Group and as the first line of defence is primarily responsible for its management, control and optimisation in the course of business generation.

The credit function acts as the second line of defence and is responsible for providing independent and objective approval and oversight for the credit risk-taking activities of business, to ensure the process of procuring revenue, while assuming optimal risk, is undertaken with integrity. Further second-line oversight is provided by the Group risk function through independent credit risk assurance.

The Group third line of defence is provided by the Bank's internal audit, under its mandate from the Group audit committee The fourth line of defence is provided by external audit. Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the Group, from an individual facility level through to an aggregate portfolio level
- defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions
- monitoring the Group's credit risk exposure relative to approved limits
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within the Group's approved risk appetite. All primary lending credit limits are set and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD). Pre-settlement counterparty credit risk (CCR) inherent in trading book exposures is measured on a potential future exposure (PFE) basis, modelled at a defined level of confidence, using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

Credit risk mitigation

Wherever warranted, the Group will attempt to mitigate credit risk, including counter party credit risk to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on- and off- balance sheet netting are widely used to mitigate credit risk. Credit risk mitigation policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

In the case of collateral where the Group has an unassailable legal title, the Group's policy is such that collateral is required to meet certain criteria for recognition in loss given default (LGD) modelling, including:

- is readily marketable and liquid
- is legally perfected and enforceable
- has a low valuation volatility
- is readily realisable at minimum expense
- has no material correlation to the obligor credit quality
- has an active secondary market for resale.

The main types of collateral obtained by the Group for its banking book exposures include:

- mortgage bonds over residential, commercial and industrial properties
- cession of book debts
- bonds over plant and equipment
- the underlying movable assets financed under leases and
- instalment sales.

Reverse repurchase agreements and commodity leases to customers are collateralised by the underlying assets.

Guarantees and related legal contracts are often required, particularly in support of credit extension to Groups of companies and weaker obligors. Guarantors include banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.

For trading and derivatives transactions where collateral support is considered necessary, the Group typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure (CSA).

Netting agreements, such as collateral under the CSA of an ISDA agreement, are only obtained where the Group firstly, has a legally enforceable right to offset credit risk by way of such an agreement, and secondly, where the Group has the intention of utilising such agreement to settle on a net basis.

Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if the mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

Wrong-way risk arises in transactions where the likelihood of default (i.e. the probability of default (PD) by a counterparty and the size of credit exposure (as measured by EAD) to that counterparty tend to increase at the same time. This risk is managed both at an individual counterparty level and at an aggregate portfolio level by limiting exposure to such transactions, taking adverse correlation into account in the measurement and mitigation of credit exposure and increasing oversight and approval levels. The Group has no appetite for wrong-way risk arising where the correlation between EAD and PD is due to a legal, economic, strategic or similar relationship (i.e. specific wrong-way risk). General wrong-way risk, which arises when the correlation between EAD and PD for the counterparty, due mainly to macro factors, is closely managed within existing risk frameworks.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, the Group implements hedging and other strategies from time-to-time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.

Credit portfolio characteristics and metrics

Maximum exposure to credit risk

Debt financial assets at amortized cost and FVOCI as well as off-balance sheet exposure subject to an ECL are analysed and categorized based on credit quality using the Group's master rating scale. Exposures within stage 1 and 2 are rated between 1 to 25 in terms of the Group's master rating scale. The Group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialized lending and retail asset classes), as illustrated in the table on pages 44-45. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable PPB portfolios. The Group distinguishes between through-the-cycle

PDs and point-in-time PDs, and utilizes both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

Default

The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Group will not rebut IFRS 9's 90 days past due rebuttable presumption.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or Groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower)
- a breach of contract, such as default or delinquency in interest and/or principal payments
- disappearance of active market due to financial difficulties
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider.

Collateral

The Group 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 Group 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 business assets such as premises, inventory and accounts receivable
- 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. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by 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.

Derivatives

The Group maintains strict control limits on net open derivative positions (ie, the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authori- sations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group 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 Group monitors the term to maturity of credit commit- ments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

ECL coverage

	2020 Loans and advances%	2020 ECL coverage ratio	2019 Loans and advances%	2019 ECL coverage ratio
Stage 1	**93.3**	**0.8**	92.7	0.8
Stage 2	**2.7**	**17.7**	3.9	17.0
Stage 3	**4.0**	**61.2**	3.4	49.7
	100.0		100.0	

Credit risk exposures relating to assets included on the statement of financial position are as follows:

	GROUP 2020 UShs'000	GROUP 2019 UShs'000	COMPANY 2020 UShs'000	COMPANY 2019 UShs'000
Balances with Bank of Uganda	**712,707,085**	693,348,495	-	-
Loans and advances to banks	**1,037,098,743**	911,954,721	**154,955,286**	35,491,352
Financial investments				
Treasury bonds (FVOCI)	**415,818,251**	414,779,871	-	-
Treasury bills (FVOCI)	**305,755,107**	351,397,845	-	-
Pledged assets	**107,975,960**	29,455,491	-	-
Loans and advances to customers				
Loans to individuals				
Overdrafts	**107,792,846**	137,248,916	-	-
Term loans	**1,227,043,295**	1,161,588,498	-	-
Mortgages	**293,360,776**	263,940,563	-	-
Loans to corporate entities				
Large corporate entities	**1,924,507,972**	1,203,150,318	-	-
Small and medium size entities	**238,393,546**	208,901,165	-	-
Trading assets				
Treasury bonds	**529,104,511**	307,280,951	-	-
Treasury bills	**572,844,527**	305,270,153	-	-
Pledged assets	**352,575,282**	-	-	-
Derivative assets	**160,917,126**	82,497,309	-	-
Other assets and related party receivables	**98,471,331**	54,743,745	**227,504**	253,465
	8,084,342,358	6,125,558,041	**155,222,790**	35,744,817

Credit risk exposure relating to assets not on the statement of financial position are as follows:

Financial guarantees	**1,623,737,529**	1,567,358,047	-	-
Loan commitments and other credit related liabilities	**1,433,445,628**	1,182,349,389	-	-
	3,057,183,157	2,749,707,436	-	-
	11,141,525,515	8,875,265,477	**155,222,790**	35,744,817

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2020 and 2019, 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 net carrying amounts as reported in the statement of financial position.

The table below shows the collateral for the secured loans as at 31 December 2020

As at 31 December 2020				Collateral coverage			
	Customerloans	Netting off agreements	Exposure after netting off	0-50%	51-100%	Over100%	Total
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Secured loans	**1,295,067,805**	**2,219,490**	**1,292,848,315**	**156,325,695**	**751,033,277**	**385,489,343**	**1,292,848,315**
Unsecured loans	**2,496,030,630**	**-**	**2,496,030,630**	**-**	**-**	**-**	**-**
	3,791,098,435	**2,219,490**	**3,788,878,945**	**156,325,695**	**751,033,277**	**385,489,343**	**1,292,848,315**

As at 31 December 2019				Collateral coverage			
	Customerloans	Netting off agree-ments	Exposure after netting off	0-50%	51-100%	Over100%	Total
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Secured loans	1,607,816,963	2,209,592	1,605,607,371	149,628,771	846,835,825	370,547,901	1,367,012,497
Unsecured loans	1,367,012,497	-	1,367,012,497	-	-	-	-
	2,974,829,460	2,209,592	2,972,619,868	149,628,771	846,835,825	370,547,901	1,367,012,497

Management remains confident in its ability to continue to control the exposure of credit risk to the Group resulting from both its loan and advances portfolio and debt securities based on the following:

- 93.4% and 2.7% of the loans and advances portfolio is categorised in stage 1 and stage 2 respectively (2019: 92.7% stage 1 and 3.9% stage 2)
- Mortgage loans, are backed by collateral
- All debt securities held by the Group are issued by the Bank of Uganda on behalf of the Government of Uganda.

Loans and advances are summarized as follows

	31 December 2020		31 December 2019	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
	UShs'000	UShs'000	UShs'000	UShs'000
Stage 1	**3,494,165,995**	**684,044,697**	2,700,364,376	825,390,055
Stage 2	**120,037,393**	**-**	146,327,333	-
Stage 3	**176,895,047**	**-**	128,137,751	-
Gross loans and advances	**3,791,098,435**	**684,044,697**	2,974,829,460	825,390,055
Allowances for impairment	**(165,089,082)**	**(115,209)**	(116,632,408)	(137,563)
Interest in suspense	**(7,656,032)**	**-**	(5,549,607)	-
	3,618,353,321	**683,929,488**	2,852,647,445	825,252,492

The allowance for impairment are summarized per segment as follows:

	2020		2019	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
	UShs'000	UShs'000	UShs'000	UShs'000
Personal and Business Banking				
- Mortgage lending	**(11,968,492)**	**-**	(6,528,136)	-
- Instalment sales and finance leases	**(8,314,696)**	**-**	(6,404,824)	-
- Card debtors	**(1,049,747)**	**-**	(721,547)	-
- Other loans	**(90,994,675)**	**-**	(76,075,284)	-
Corporate and Investment Banking				
- Corporate lending	**(52,761,472)**	**(115,209)**	(26,902,617)	(137,563)
	(165,089,082)	**(115,209)**	(116,632,408)	(137,563)

The total impairment provision for loans and advances is UShs 165,204 million (2019: UShs 116,769 million) of which UShs 108,285 million is stage 3 impairment (2019: UShs 63,677 million). Further information on the impairment allowance for loans and advances to Banks and to customers is provided in Notes 18 and 19.

The table below illustrates the credit risk for debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure as per the Group's master rating scale

		SB1-12		SB13-20	SB21-25		Default						
	Total Gross Carrying Amounts UShs'000	Stage 1 UShs'000	Stage 2 UShs'000	Stage 1 UShs'000	Stage 1 UShs'000	Stage2 UShs'000	Stage3 UShs'000	Total gross carrying amount of default exposures UShs'000	Securities and expected recoveries on default exposures UShs'000	Interest in suspense on default exposures UShs'000	Balance sheet impairments for non performing specifically impairedloans (Stage 3 and purchased or originated credit impaired) UShs'000	Gross specific impairment coverage %	Non-performing exposures (%)
Loans and advances at amortised cost													
PBB													
Mortgage loans	**282,260,048**	-	248,998,152	-	-	16,920,817	16,341,079	**16,341,079**	**10,257,095**	543,443	5,540,541	37%	6%
Vehicle and asset finance	**173,890,374**	4,390,740	147,650,722	-	-	14,523,158	7,325,754	**7,325,754**	**3,346,080**	-	3,979,674	54%	4%
Card debtors	**3,722,980**	-	929,821	-	-	2,515,869	277,290	**277,290**	**20,594**	-	256,696	93%	7%
Other loans and advances	**1,448,618,387**	-	**1,221,722,524**	-	**66,499,846**	**67,510,308**	**92,885,709**	**92,885,709**	**36,659,926**	**1,070,481**	**55,155,302**	61%	6%
Personal unsecured lending	**787,552,954**	-	734,606,974	-	3,764,971	30,582,179	18,598,830	**18,598,830**	**3,192,614**	555,201	14,851,015	83%	2%
Business lending and other	**661,065,433**	-	487,115,550	-	62,734,875	36,928,129	74,286,879	**74,286,879**	**33,467,312**	515,280	40,304,287	55%	11%
CIB								-				-	-
Corporate	**1,210,239,045**	385,998,266	745,608,323	18,567,241	-	-	60,065,215	**60,065,215**	**10,670,023**	6,042,108	43,353,084	82%	5%
Sovereign	**672,367,601**	-	672,367,601	-	-	-	-	-	-	-	-	-	-
Bank	**684,044,698**	565,723,770	118,320,928	-	-	-	-	-	-	-	-	-	-
Other service													
Gross carrying amount	**4,475,143,133**	**956,112,776**	**3,155,598,071**	**18,567,241**	**66,499,846**	**101,470,152**	**176,895,047**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	**66%**	**4%**
Less: Interest in suspense	(7,656,032)		-										
Less:Total expected credit losses for loans and advances	(165,204,291)		-										
Net carrying amount of loans and advances measured atamortised cost	**4,302,282,810**	**956,112,776**	**3,155,598,071**	**18,567,241**	**66,499,846**	**101,470,152**	**176,895,047**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	**66%**	**4%**
Financial investment at fair value through OCI													
Sovereign	721,772,782	721,772,782	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	**721,772,782**	**721,772,782**	-	-	-	-	-	-	-	-	-	-	-
Add: Fair value reserve ralating to fair value adjustments (before the ECL balance)	(188,212)	(188,212)	-	-	-	-	-	-	-	-	-	-	-
Total financial investment at fair value through OCI	**721,584,570**	**721,584,570**	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures		-	-	-	-	-	-	-	-	-	-	-	-
Letters of credit and banker's acceptances	237,768,709	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees	1,623,737,529	-	-	-	-	-	-	-	-	-	-	-	-
Irrevocable unutilised facilities	1,433,445,628	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to off-balance sheet credit risk	**3,294,951,866**	-	-	-	-	-	-	-	-	-	-	-	-
Expected credit losses for off-balance sheet exposures	(4,924,978)	-	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount of off-balance sheet exposures	**3,290,026,888**	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk on financial assets subject to an expected credit loss	**8,313,894,268**	**1,677,697,346**	**3,155,598,071**	**18,567,241**	**66,499,846**	**101,470,152**	**176,895,047**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	66%	2%
Add the following other banking activities exposures:													
Cash and balances with Bank of Uganda	1,155,333,607	-	-	-	-	-	-	-	-	-	-	-	-
Derivative assets	160,917,126	-	-	-	-	-	-	-	-	-	-	-	-
Trading assets	1,101,949,038	-	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk	**10,732,094,039**	**1,677,697,346**	**3,155,598,071**	**18,567,241**	**66,499,846**	**101,470,152**	**176,895,047**	**176,895,047**	**60,953,718**	**7,656,032**	**108,285,297**	**66%**	**2%**

1 The ECL on unutilised facilities is included in the ECL for loans and advances.
2 Balances with the central bank are classified as FVTPL. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entity's ability to operate as a bank.
3 Due to the short-tern nature of these assets and historical experience, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

The table below illustrates the credit risk for debt financial assets at amortised cost and FVOCI as well as off-balance sheet exposure as per the Group's master rating scale

		SB1-12		SB13-20	SB21-25	Default						
	Total Gross Carrying Amounts UShs'000	Stage1 UShs'000	Stage1 UShs'000	Stage2 UShs'000	Stage2 UShs'000	Stage3 UShs'000	Total gross carrying amount of default exposures UShs'000	Securities and expected recoveries on default exposures UShs'000	Interest in suspense on default exposures UShs'000	Balance sheet impairments for non performing specifically impairedloans (Stage 3 and purchased or originated credit impaired) UShs'000	Gross specific impairment coverage %	Non-performing exposures (%)
Loans and advances at amortised cost												
PBB												
Mortgage loans	252,643,657	224,872,111	-		20,473,193	7,298,353	7,298,353	4,173,035	87,541	3,037,777	43%	3%
Vehicle and asset finance	159,597,472	-	134,094,456	-	9,618,144	15,884,872	15,884,872	14,422,731	-	1,462,141	9%	10%
Card debtors	4,935,425	-	3,108,703	-	1,596,011	230,711	230,711	51,279	-	179,432	78%	5%
Other loans and advances	1,398,713,176	-	1,235,180,963	-	103,876,067	59,656,146	59,656,146	20,196,713	1,110,133	38,349,300	66%	4%
Personal unsecured lending	700,318,254	-	654,325,850	-	31,932,314	14,060,090	14,060,090	2,053,375	389,499	11,617,216	85%	2%
Business lending and other	698,394,922	-	580,855,113	-	71,943,753	45,596,056	45,596,056	18,143,338	720,634	26,732,084	60%	7%
CIB							-				-	-
Corporate	1,158,939,730	327,169,175	775,938,968	7,392,472	3,371,446	45,067,669	45,067,669	20,067,110	4,351,933	20,648,626	55%	4%
Sovereign	506,080,442	506,080,442					-	-			-	-
Bank	319,309,614	305,293,270	14,016,344	-	-		-	-			-	-
Other service							-	-			-	-
Gross carrying amount	3,800,219,516	1,363,414,998	2,162,339,434	7,392,472	138,934,861	128,137,751	128,137,751	58,910,868	5,549,607	63,677,276	54%	4%
Less: Interest in suspense	(5,549,607)	-	-	-	-	-	-	-	-	-	-	-
Less:Total expected credit losses for loans and advances	(116,769,972)	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount of loans and advances measured atamortised cost	3,677,899,937	1,363,414,998	2,162,339,434	7,392,472	138,934,861	128,137,751	128,137,751	58,910,868	5,549,607	63,677,276	54%	4%
Financial investment at fair value through OCI												
Sovereign	766,360,371	766,360,371	-	-	-	-	-	-	-	-	-	-
Gross carrying amount	766,360,371	766,360,371	-	-	-	-	-	-	-	-	-	-
Add: Fair value reserve ralating to fair value adjustments (before the ECL balance)	(110,019)	(110,019)	-	-	-	-	-	-	-	-	-	-
Total financial investment at fair value through OCI	766,250,352	766,250,352	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures												
Letters of credit and banker's acceptances	140,655,170	-	-	-	-	-	-	-	-	-	-	-
Guarantees	1,567,358,047	-	-	-	-	-	-	-	-	-	-	-
Irrevocable unutilised facilities	1,041,694,219	-	-	-	-	-	-	-	-	-	-	-
Total exposure to off-balance sheet credit risk	2,749,707,436	-	-	-	-	-	-	-	-	-	-	-
Expected credit losses for off-balance sheet exposures	(2,383,268)	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount of off-balance sheet exposures	2,747,324,168	-	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk on financial assets subject to an expected credit loss	6,685,394,015	2,129,665,350	2,162,339,434	7,392,472	138,934,861	128,137,751	128,137,751	58,910,868	5,549,607	63,677,276	54%	3%
Add the following other banking activities exposures:												
Cash and balances with Bank of Uganda	1,123,942,143	-	-	-	-	-	-	-	-	-	-	-
Derivative assets	82,497,309	-	-	-	-	-	-	-	-	-	-	-
Trading assets	612,551,104	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure to credit risk	8,504,384,573	2,129,665,350	2,162,339,434	7,392,472	138,934,861	128,137,751	128,137,751	58,910,868	5,549,607	63,677,276	54%	3%

1 The ECL on unutilised facilities is included in the ECL for loans and advances.
2 Balances with the central bank are classified as FVTPL. These balances are subject to the rigorous regulatory requirements of these transactions and its link to the underlying entity's ability to operate as a bank.
3 Due to the short-tern nature of these assets and historical experience, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

Loans and advances to banks

The total gross amount of stage 3 loans and advances to Banks as at 31 December 2020 is Nil (2019: nil). No collateral is held by the Group against loans and advances to banks.

Other financial assets

There are no other financial assets in stage 3 (2019: nil). No collateral is held by the Group against other financial assets.

Concentrations of risk of financial assets with credit risk exposure

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorized by the industry sectors of our counterparties.

Concentrations of risk of financial assets with credit risk exposure

	Financial institutions UShs'000	Manufacturing UShs'000	Agriculture UShs'000	Transport UShs'000	Individuals UShs'000	Others UShs'000	Total UShs'000
As at 31 December 2020							
Government securities - FVOCI	**721,573,358**	-	-	-	-	-	**721,573,358**
Pledged assets	**460,527,242**	-	-	-	-	-	**460,527,242**
Loans and advances to banks	**684,044,697**	-	-	-	-	-	**684,044,697**
Loans and advances to customers	**158,640,321**	**344,949,159**	**528,168,712**	**70,095,139**	**723,647,774**	**1,965,597,330**	**3,791,098,435**
Financial assets designated at fair value through profit or loss:							
Debt securities	**1,101,949,038**	-	-	-	-	-	**1,101,949,038**
	3,126,734,656	**344,949,159**	**528,168,712**	**70,095,139**	**723,647,774**	**1,965,597,330**	**6,759,192,770**

	Financial institutions UShs'000	Manufacturing UShs'000	Agriculture UShs'000	Transport UShs'000	Individuals UShs'000	Others UShs'000	Total UShs'000
As at 31 December 2019							
Government securities - FVOCI	766,177,716	-	-	-	-	-	766,177,176
Pledged assets	29,455,491	-	-	-	-	-	29,455,491
Loans and advances to banks	825,390,055	-	-	-	-	-	825,390,055
Loans and advances to customers	392,573,791	358,710,038	516,149,791	79,663,871	782,934,834	844,797,135	2,974,829,460
Financial assets designated at fair value through profit or loss:							
- Debt securities	612,551,104	-	-	-	-	-	612,551,104
	2,626,148,157	358,710,038	516,149,791	79,663,871	782,934,834	844,797,135	5,208,403,826

3 (d) Market Risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market risk measurement techniques:

As part of the management of market risk, the Group's major measurement techniques used to measure and control market risk is value at risk and Pv01 (present value at one).

The Group applies 'value at risk' methodology (VaR) to its trading and banking portfolio, to estimate the market risk of foreign exchange positions held and the maximum losses expected. Management applies Pv01 methodology to it's trading and non trading portfolios to estimate the market interest rate risk of positions held and the maximum losses that could arise. The estimates are based upon a number of assumptions for various changes in market conditions. The assets and liabilities committee (ALCO) sets limits on boththe value of risk and Pv01 that may be acceptable for the Group. These are monitored on a weekly basis by the Risk Management department.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, but only to a certain level of confidence (98%). There is therefore a specified statistical probability (2%) that actual loss could be greater than the VAR estimate. Pv01 is the present value impact of a one basis point move in an interest rate.

The use of these approaches does not prevent losses outside of these limits in the event of more significant market movements.

As VaR and Pv01 constitute an integral part of the Group's market risk control regime, limits are established by the Board annually for all trading and non-trading portfolios. Actual exposure against limits, together with a consolidated group-wide VaR, is reviewed daily by the Group's Treasury.

The quality of the VaR model is continuously monitored by back- testing the VaR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated.

Market risk measurement techniques

12 months to 31 December 2020	Average UShs'000	Maximum UShs'000	Minimum UShs'000	31 December 2020 UShs'000
Interest rate book - Trading	459,362	627,595	295,446	531,092
Interest rate book - FVOCI	889,825	1,060,178	563,951	809,882
Foreign exchange trading book VAR	374,539	730,703	55,351	119,617

12 months to 31 December 2019	Average	Maximum	Minimum	31 December 2019
Interest rate book - Trading	396,543	612,808	205,868	528,378
Interest rate book - FVOCI	705,365	4,555,943	162,281	412,385
Foreign exchange risk VAR	1,508,168	14,808,500	51,167	432,788

The Uganda shilling weakened against the dollar trading as high as 3911 level at the start of the COVID-19 pandemic on account of a general sell off of the Uganda shilling thus the weakening of the currency. The Uganda Shilling however, appreciated from May 2020 onwards mainly due to muted local demand and huge inflows from Non-Government Organisations (NGO's) and offshore players. The Uganda shilling closed the year trading at an average level of 3686.

The average normal Value at Risk Utilisation for the year on interest rate (IRT) desk was UShs 459Mn which was more than UShs 397million in 2019, this was due to increase in T-bill and Bond investment ($5.1million) in 2020. On the fixed (FXT) book, average normal Value at Risk utilisation was UShs 375million which was less than UShs 1.5bn registered in 2019 on back of client flows during the year.

Foreign exchange risk

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

The Group has the following significant foreign currency exposure positions (all amounts in millions of Uganda Shillings)

	USD UShs'm	Euro UShs'm	Other UShs'm	Total UShs'm
As at 31 December 2020				
Assets				
Cash and balances with Bank of Uganda	163,278	16,744	9,785	189,807
Loans and advances to banks	556,124	34,112	24,599	614,835
Amounts due from group companies	339,571	-	13,649	353,220
Loans and advances to customers	875,831	718,385	6	1,594,222
Derivative assets	132,239	-	-	132,239
Other assets	15,831	1,680	319	17,830
Total assets	2,082,874	770,921	48,358	2,902,153
Liabilities				
Customer deposits	2,236,466	141,459	18,091	2,396,016
Amounts due to banks	156,799	113,962	1,237	271,998
Amounts due to group companies	13,048	224,303	25,213	262,564
Derivative liabilities	135,555	-	-	135,555
Subordinated bonds/debt	73,023	-	-	73,023
Other liabilities	39,909	7,562	778	48,249
Total liabilities	2,654,800	487,286	45,319	3,187,405
Net statement of financial position	(571,926)	283,635	3,039	(285,252)
Net currency forwards	(169,969)	-	-	(169,969)
Commitments to extend credit	(686,332)	-	-	(686,332)
Net mismatch	(1,428,227)	283,635	3,039	(1,141,553)
As at 31 December 2019				
Total assets	1,921,594	61,394	33,014	2,016,002
Total liabilities	1,934,758	75,191	42,218	2,052,167
Net statement of financial position	(13,164)	(13,797)	(9,204)	(36,165)
Net currency forwards	(415,781)	-	-	(415,781)
Commitments to extend credit	(419,791)	-	-	(419,791)
Net mismatch	(848,736)	(13,797)	(9,204)	(871,737)

Notes (continued)
3) Financial Risk Management (continued)
(d) Market Risk (continued)

Foreign currency risk sensitivity UShs equivalent

		USD 2020	USD 2019
Total net long/(short) position	millions	(129,990)	(164,852)
Sensitivity (UGX depreciation)	%	10	10
Impact on OCI	millions	-	-
Impact on profit or loss	millions	6,921	6,813

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities. Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies. As at31 December 2020, the company did not hold any foreign denominated assets and liabilities. (31 December 2019: Nil)

Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily.

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

	Up to 1month UShs'm	1-6 months UShs'm	6-12 months UShs'm	Over 1year UShs'm	Non-interest bearing UShs'm	Total UShs'm
At 31 December 2020						
Asset:						
Cash and balances with bank of uganda	-	-	-	-	1,155,334	1,155,334
Government securities FVOCI	118,180	150,224	176,360	277,009	-	721,773
Pledged assets	62,902	86,845	-	310,780	-	460,527
Government securities FVTPL	222,015	234,544	221,379	424,011	-	1,101,949
Deposits and balances due from other banks	683,929	-	-	-	-	683,929
Amounts due from group companies	354,852	-	-	-	-	354,852
Loans and advances to customers	641,815	511,298	294,188	2,171,052	-	3,618,353
Derivative assets	-	-	-	-	160,917	160,917
Tax recoverable	-	-	-	-	5,067	5,067
Other assets	-	-	-	-	316,197	316,197
Total assets	2,083,693	982,911	691,927	3,182,852	1,637,515	8,578,898
Liabilities and shareholders' funds:						
Customer deposits	5,230,621	217,899	42,017	2,942	-	5,493,479
Deposits due to other banks	785,477	-	-	-	-	785,477
Borrowed funds	6,026	92	212	37,017	-	43,347
Amounts due to group companies	351,607	-	-	-	-	351,607
Derivative liabilities	-	-	-	-	229,733	229,733
Other liabilities	-	-	-	-	358,719	358,719
Subordinated bonds/debts	-	-	-	73,023	-	73,023
Total liabilities	6,373,731	217,991	42,229	112,982	548,104	7,335,459
Shareholders' equity	-	-	-	-	1,243,439	1,243,439
Total interest repricing gap	(4,290,038)	764,920	649,698	3,069,870	(104,708)	-
At 31 december 2019						
Total assets	1,895,061	744,839	669,462	1,879,179	1,462,284	6,650,825
Total liabilities and shareholder's equity	4,885,212	142,289	36,478	78,013	391,967	5,533,959
Shareholders' equity	-	-	-	-	1,116,866	1,116,866
Total interest re-pricing gap	(2,990,151)	602,550	632,984	1,801,166	(46,549)	-

Furthermore the ALCO monitors the sensitivity of net interest income to changes in interest rates. Limits are set and monitored monthly.

The sensititvity of net interest income to changes in interest rates for LCY (UGX) is as follows;

	31st December 2020 Change in net interest income UShs'000	% of net interest income	31st December 2019 Change in net interest income UShs'000	% of net interest income
100bps Increase in interest rates	**11,868,492**	**2.9%**	15,631,219	3.7%
100bps decrease in interes trates	**(11,429,302)**	**-2.8%**	(15,625,468)	-3.7%

NII sensititvity in for FCY(USD) is as follows;

	31st December 2020 Change in net interest Income UShs'000	% of net interest income	31st December 2019 Change in net interest Income UShs'000	% of net interest income
100bps Increase in interest rates	**5,191,830**	**20.1%**	5,156,118	19.3%
100bps decrease in interes trates	**(3,006,533)**	**-11.6%**	(5,151,101)	-19.2%

The Company does not have interest bearing financial assets and liabilities at the reporting period.

3(e) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are overdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

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

The Asset and Liability Committee sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter- Group and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group's liquidity management process, as carried out within the Group and monitored by the Treasury and Capital Management (TCM) team includes:

- Day-to-day funding is managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cashflow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and managing the concentration and profile of debt maturities.
- Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management.The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The assets and liability management (ALM) team within TCM also monitors unmatched medium-term assets, the level and type of un- drawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Notes (continued)
3) Financial Risk Management (continued)
(e) Liquidity risk (continued)

	2020 UShs' 000	2019 UShs' 000
Liquid assets to deposit ratio		
Total deposits	**5,493,479,534**	4,722,203,570
Total liquid assets held	**3,293,765,863**	2,362,491,352
Liquidity ratio	**60.0%**	50.0%
Regulatory requirement	**20.0%**	20.0%

The table that follows presents the undiscounted cash flows payable by the Group under financial liabilities by remaining contractual maturities at the reporting date and from financial assets by expected maturity dates.All figures are in millions of Uganda Shillings.

GROUP	Carrying Amount	Gross norminal In/ out flow	Up to 1 month	2-6 Months	7-12 Months	1-5 Years	Over 5 Years
	UShs' m	UShs' m	UShs' m	UShs' m	UShs' m	UShs' m	UShs' m
At 31 December 2020							
Liabilities							
Deposits from customers	(5,493,480)	(5,493,480)	**(5,259,882)**	**(197,688)**	**(34,143)**	**(1,767)**	**-**
Deposits from other banks	(785,477)	(785,477)	**(785,477)**	**-**	**-**	**-**	**-**
Amounts due to group companies	(351,607)	(351,430)	**(351,430)**	**-**	**-**	**-**	**-**
Derivative liabilities	(229,733)	(229,733)	**(565)**	**(2,777)**	**(9,728)**	**(84,629)**	**(132,034)**
Borrowed funds	(43,347)	(43,347)	**(6,026)**	**(92)**	**(212)**	**(37,017)**	**-**
Subordinated debt	(73,023)	(103,703)	**-**	**(2,922)**	**(2,922)**	**(23,376)**	**(74,483)**
Other liabilities	(358,792)	(393,394)	**(347,467)**	**(2,804)**	**(8,403)**	**(32,277)**	**(2,443)**
Total financial liabilities (contractual maturity dates)	(7,335,459)	(7,400,564)	**(6,750,847)**	**(206,283)**	**(55,408)**	**(179,066)**	**(208,960)**
Assets							
Cash and bank balances with Bank of Uganda	1,155,334	1,155,334	**1,155,334**	**-**	**-**	**-**	**-**
Government securities-FVOCI	721,773	846,718	**120,570**	**150,153**	**192,000**	**383,995**	**-**
Pledged assets	460,527	564,172	**60,380**	**103,270**	**-**	**400,522**	**-**
Government securities- FVTPL	1,101,949	1,297,652	**218,053**	**223,718**	**242,531**	**121,967**	**491,383**
Loans and advances to banks	683,929	684,045	**684,045**	**-**	**-**	**-**	**-**
Amounts due from group companies	354,852	354,853	**15,333**	**339,520**	**-**	**-**	**-**
Loans and advances to customers	3,618,353	3,733,185	**1,146**	**353**	**1,774**	**1,945,486**	**1,784,426**
Derivative Assets	160,917	160,917	**659**	**5,568**	**3,349**	**19,307**	**132,034**
Other Assets	77,568	77,568	**77,568**	**-**	**-**	**-**	**-**
Total financial assets (expected maturity dates)	8,335,202	8,874,908	**2,333,552**	**822,582**	**439,654**	**2,871,277**	**2,407,843**
Liquidity gap	999,743	1,474,344	**(4,417,295)**	**616,299**	**384,246**	**2,692,211**	**2,198,883**
Cumulative Liquidity Gap	999,743	1,474,344	**(4,417,295)**	**(3,800,996)**	**(3,416,750)**	**(724,539)**	**1,474,344**
Off-Balance Sheet							
Guarantees	(1,623,738)	1,623,738	**218,329**	**490,434**	**268,441**	**646,534**	**-**
LCs	(237,769)	237,769	**108,609**	**128,247**	**-**	**913**	**-**
Commitments to extend credit	(1,433,446)	1,433,446	**1,433,446**	**-**	**-**	**-**	**-**
Total Off-Balance Sheet	(3,294,953)	3,294,953	**1,760,384**	**618,681**	**268,441**	**647,447**	**-**
Liquidity gap	(2,295,210)	4,769,297	**(2,656,911)**	**1,234,980**	**652,687**	**3,339,658**	**2,198,883**
Cumulative Liquidity Gap		4,769,297	**(2,656,911)**	**(1,421,931)**	**(769,244)**	**2,570,414**	**4,769,297**
As at 31 December 2019							
Total financial liabilities (contractual maturity dates)	(5,525,924)	(5,568,453)	(5,179,595)	(118,872)	(50,228)	(80,363)	(139,395)
Total financial assets (expected maturity dates)	6,411,317	6,664,807	2,619,716	968,661	598,790	2,397,540	80,100
Liquidity gap	885,392	1,096,354	(2,559,879)	849,789	548,562	2,317,177	(59,295)
Cumulative Liquidity Gap	885,392	1,096,354	(2,559,879)	(1,710,090)	(1,161,528)	1,155,649	1,096,354
Total Off Balance sheet	(2,749,707)	2,749,707	1,226,183	460,688	317,165	745,671	-
Net Liquidity gap	(1,864,315)	3,846,061	(1,333,696)	1,310,477	865,727	3,062,848	(59,295)
Net Cumulative liquidity gap		3,846,061	(1,333,696)	(23,219)	842,508	3,905,356	3,846,061

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, Central Bank balances, items in the course of collection; loans and advances to Banks; and loans and advances to customers. In addition, debt securities and treasury and other bills have been pledged to secure liabilities.The Group would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

The table below analyses the Company's non-derivative financial assets and liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

COMPANY	Carrying amount	Gross norminal In/ out flow	Up to 1 month
	UShs'000	UShs'000	UShs'000
As at 31 December 2020			
Amounts due to group companies	**88,295,740**	**88,295,740**	**88,295,740**
Other liabilities	**37,377,010**	**37,377,010**	**37,377,010**
Total financial liabilities (contractual maturity dates)	**125,672,750**	**125,672,750**	**125,672,750**

	Carrying amount	Gross norminal In/ out flow	Up to 1 month
	UShs'000	UShs'000	UShs'000
As at 31 December 2019			
Amounts due to group companies	-	-	-
Other liabilities	15,190,720	15,190,720	15,190,720
Total financial liabilities (contractual maturity dates)	15,190,720	15,190,720	15,190,720

3 (f) Off balance sheet

(i) Loan commitments

The dates of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 34), are summarised in the table below.

(ii) Other financial facilities

Other financial facilities (Note 34) are also included below based on the earliest contractual maturity date.

	Not later than 1 year	1 to 5 years	Above 5 years	Total
	UShs'000	UShs'000	UShs'000	UShs'000
As at 31 December 2020				
Letters of credit	**236,856,084**	**912,625**	**-**	**237,768,709**
Guarantees	**977,203,827**	**646,533,702**	**-**	**1,623,737,529**
Commitments to extend credit	**1,433,445,628**	**-**	**-**	**1,433,445,628**
	2,647,505,539	**647,446,327**	**-**	**3,294,951,866**

	Not later than 1 year	1 to 5 years	Above 5 years	Total
	UShs'000	UShs'000	UShs'000	UShs'000
As at 31 December 2019				
Letters of credit	132,600,256	8,054,914	-	140,655,170
Guarantees	829,741,745	737,616,302	-	1,567,358,047
Commitments to extend credit	1,041,694,219	-	-	1,041,694,219
	2,004,036,220	745,671,216	-	2,749,707,436

3 (g) Fair value of financial assets and liabilities

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value.

	Carrying Value		Fair Value	
	2020	2019	2020	2019
	UShs'000	UShs'000	UShs'000	UShs'000
Financial assets				
Cash and balances with Bank of Uganda	**1,155,333,607**	1,123,942,143	**1,155,333,607**	1,123,942,143
Loans and advances to banks	**683,929,488**	825,252,492	**683,929,488**	825,252,492
Amounts due from group companies	**354,851,856**	89,059,084	**354,851,856**	89,059,084
Loans and advances to customers	**3,618,353,321**	2,852,647,445	**3,618,353,321**	2,852,647,445
Other assets	**8,881,791**	132,284	**8,881,791**	132,284
Financial liabilities				
Customer deposits	**5,493,479,534**	4,722,203,570	**5,493,479,534**	4,722,203,570
Amounts due to other banks	**785,477,443**	201,699,798	**785,477,443**	201,699,798
Borrowed funds	**43,346,567**	11,081,783	**43,346,567**	11,081,783
Amounts due to group companies	**351,607,479**	71,475,842	**351,607,479**	71,475,842
Subordinated debt	**73,022,525**	72,801,196	**73,022,525**	72,801,196
Other liabilities	**219,750,597**	169,432,554	**219,750,597**	169,432,554

Prices quoted in an active market:

The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the Group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such as sets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the Group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Unobservable inputs are subject to management judgement and although the Group believes that its estimates of fair values are appropriate, changing one or more of these assumptions to reasonably possible alternative values would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters corroborated by reference to independent market data, where possible, or alternative sources, such as, third party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated model- ling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments:

Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to: credit spreads on illiquid issuers, implied volatilities on thinly traded stocks, correlation be- tween risk factors, prepayment rates, and other illiquid risk drivers. In making appropriate valuation adjustments, the Group and com- pany apply methodologies that consider factors such as bid- offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- Using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver;
- Raising day one profit provisions in accordance with IFRS;
- Quantifying and reporting the sensitivity to each risk driver; and
- Limiting exposure to such risk drivers and analysing this exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the Group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models as well as those developed internally by the Group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the Group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the Group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis by the market risk and asset and liability committees.

Portfolio exception: The Group, on meeting certain qualifying criteria, elected the portfolio exception to measure the fair value of certain Groups of financial assets and financial liabilities on a net basis.

The total amount of the change in fair value estimated using valuation techniques not based on observable market data (level 3) that was recognised in profit or loss for the year ended 31 December 2020 was a net loss of UShs 16.77 million net gain (2019: UShs9.6 million net loss) for the Group

3 (h) Fair value hierarchy

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments. The information below shows the classification of financial instruments held at fair value into the valuation hierachy as at 31 December 2020 and 2019.

As at 31 December 2020	Level 1 USh's'000	Level 2 UShs'000	Level 3 UShs'000	Total UShs'000
Financial assets				
Coin and bank notes	442,626,522	-	-	442,626,522
Bank of Uganda Cash Reserving Requirement	456,990,000	-	-	456,990,000
Derivative assets	-	160,917,126	-	160,917,126
Government securities (FVTPL)	-	1,101,949,038	-	1,101,949,038
Pledged assets		460,527,242	-	460,527,242
Government securities (FVOCI)	-	721,573,358	-	721,573,358
Other financial investments	-	-	199,424	199,424
Total assets	899,616,522	2,444,966,764	199,424	3,344,782,710
Financial liabilities				
Derivative liabilities	-	229,733,411	-	229,733,411
Total liabilities	-	229,733,411	-	229,733,411

As at 31 December 2019	Level1 UShs'000	Level2 UShs'000	Level3 UShs'000	Total UShs'000
Financial assets				
Coin and bank notes	430,593,648	-	-	430,593,648
Bank of Uganda Cash Reserving Requirement	375,360,000	-	-	375,360,000
Derivative assets	-	82,497,309	-	82,497,309
Government securities (FVTPL)	-	612,551,106	-	612,551,106
Pledged assets	-	29,455,491	-	29,455,491
Government securities (FVOCI)	-	766,177,717	-	766,177,717
Other financial investments	-	-	182,654	182,654
Total assets	805,953,648	1,490,681,623	182,654	2,296,817,925
Financial liabilities				
Derivative liabilities	-	125,976,132	-	125,976,132
Total liabilities	-	125,976,132	-	125,976,132

The balances with the central bank excluding cash reserving requirement was in terms of IFRS 9 classified as amortised cost. Coins and bank notes have been classified at fair value through profit or loss as the contractual terms do not give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding as per IFRS9.

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments.

Fair value instruments in level 3

The following table presents the changes in Level 3 instruments for the year ended 31 December 2020 and 31 December 2019

Other investments at fair value through profit or loss

	Other Investment fair valued through profit and loss 2020 Shs'000	2019 Shs'000
Opening balance	182,654	69,957
New Share allocation	-	113,652
Gains and losses recognised in profit/(loss)	16,770	(955)
Closing balance	199,424	182,654
Total gains or losses for the period included in profit or loss under 'other gains (losses)	16,770	(955)

Notes (continued)
3) Financial Risk Management (continued)
(h) Fair value hierarchy (continued)

The table below shows Items not measured at fair value for which fair value is disclosed

31 December 2020	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Balances with Bank of Uganda	255,717,085	-	-	255,717,085
Loans and advances to banks	-	-	683,929,488	683,929,488
Amounts due from group companies	-	-	354,851,856	354,851,856
Loans and advances to customers	-	-	3,618,353,321	3,618,353,321
Other financial assets and related party receivables.	-	-	8,881,791	8,881,791
Total assets	255,717,085	-	4,666,016,456	4,921,733,541
Financial liabilities				
Customer deposits	5,212,881,448	280,598,086	-	5,493,479,534
Amounts due to other banks	-	-	785,477,443	785,477,443
Borrowed funds	-	-	43,346,567	43,346,567
Subordinated debt	-	-	73,022,525	73,022,525
Amounts due to group companies	-	-	351,607,479	351,607,479
Other financial liabilities	-	-	219,750,597	219,750,597
Total liabilities	5,212,881,448	280,598,086	1,473,204,611	6,966,684,145

31 December 2019	Level 1 UShs' 000	Level 2 UShs' 000	Level 3 UShs' 000	Total UShs' 000
Financial assets				
Balances with Bank of Uganda	317,988,495	-	-	317,988,495
Loans and advances to banks	-	-	825,252,492	825,252,492
Amounts due from group companies	-	-	89,059,084	89,059,084
Loans and advances to customers	-	-	2,852,647,445	2,852,647,445
Other financial assets and related party receivables.	-	-	132,284	132,284
Total assets	317,988,495	-	3,767,091,305	4,085,079,800
Financial liabilities				
Customer deposits	4,552,180,115	169,901,710	121,745	4,722,208,570
Amounts due to other banks	-	-	201,699,798	201,699,798
Borrowed funds	-	-	11,081,783	11,081,783
Subordinated debt	-	-	73,280,466	73,280,466
Amounts due to group companies	-	-	71,475,842	71,475,842
Other financial liabilities	-	-	169,432,554	169,432,554
Total liabilities	4,552,180,115	169,901,710	527,092,188	5,249,174,013

3 (i) Classification of assets and liabilities

Accounting classifications and fair values of assets and liabilities

The table below sets out the Group's classification of financial assets and liabilities,and their fair values

GROUP	FVTPL	Amortised cost	FVOCI	Other assets/ liabilities	Total carrying amount
	UShs' m	UShs' m	UShs' m	UShs' m	UShs' m
2020					
Assets					
Cash and balances with central banks	899,617	255,717	-	-	1,155,334
Derivative assets	160,917	-	-	-	160,917
Government securities	1,101,949	-	721,773	-	1,823,722
Pledged assets	352,575	-	107,952	-	460,527
Loans and advances to banks	-	683,929	-	-	683,929
Loans and advances to customers	-	3,618,353	-	-	3,618,353
Amounts due from group companies	-	354,852	-	-	354,825
Other financial assets and related party receivables.	-	8,882	-	-	8,882
Other non-financial assets and related party receivables	-	-	-	312,282	312,282
	2,515,058	4,921,733	829,725	312,282	8,578,898
Liabilities					
Derivative liabilities	229,734	-	-	-	229,733
Deposits from banks	-	785,477	-	-	785,477
Deposits from customers	-	5,493,480	-	-	5,493,480
Subordinated debt	-	73,023	-	-	73,023
Amounts due to group companies	-	351,607	-	-	351,607
Borrowed funds	-	43,347	-	-	43,347
Other financial liabilities	-	219,751	-	-	219,751
Other non-financial assets	-	-	-	139,040	139,040
	229,734	6,966,685	-	139,040	7,335,459

GROUP	FVTPL	Amortised cost	FVOCI	Other assets/ liabilities	Total carrying amount
	UShs' m	UShs' m	UShs' m	UShs' m	UShs' m
2019					
Assets					
Cash and balances with central banks	805,954	317,988	-	-	1,123,942
Derivative assets	82,499	-	-	-	82,499
Government securities	612,551	-	766,361	-	1,378,912
Pledged assets	-	-	29,455	-	29,455
Loans and advances to banks	-	825,252	-	-	825,252
Loans and advances to customers	-	2,852,647	-	-	2,852,647
Amounts due from group companies	-	89,056	-	-	89,056
Other financial assets and related party receivables.	-	132	-	-	132
Other non-financial assets and related party receivables	-	-	-	268,931	268,931
	1,501,004	4,085,075	795,816	268,931	6,650,826
Liabilities					
Derivative liabilities	125,977	-	-	-	125,977
Deposits from banks	-	201,700	-	-	201,700
Deposits from customers	-	4,722,204	-	-	4,722,204
Subordinated debt	-	73,280	-	-	73,280
Amounts due to group companies	-	31,920	-	-	31,920
Borrowed funds	-	11,082	-	-	11,082
Other financial liabilities	-	169,433	-	-	169,433
Other non-financial assets	-	-	-	198,364	198,364
	125,977	5,209,619	-	198,364	5,533,960

Notes (continued)
3) Financial Risk Management (continued)
(i) Classification of assets and liabilities

The table below sets out the Company's classification of financial assets and liabilities, and their fair values:

COMPANY	2020 UShs'000	2019 UShs'000
Financial assets at amortised cost		
Amounts due from group companies	**154,995,286**	35,491,352
Other assets	**165,678**	100,000
Total assets	**155,160,964**	35,591,352
Financial liabilities at amortised cost		
Amounts due to group companies	**88,295,740**	-
Other liabilities	**37,377,010**	15,190,720
Total liabilities	**125,672,750**	15,190,720

4. Segment information

The principal business units in the Group are as follows:

Personal and Business Banking (PBB): Banking and other financial services to individual customers and small to medium sized enterprises throughout Uganda.

PBB incorporates

- Mortgage lending- provides residential accommodation loans to individual customers. Instalment sales and finance leases: comprises two main areas - instalment finance in the consumer market mainly vehicles and secondly, finance of vehicles and equipment in the business market.
- Transactional and lending products- Transactions in products associated with the various points of contact channels such as ATMs, internet, and branches. This includes deposit taking activities, electronic Banking, cheque accounts and other lending products.

Corporate and Investment Banking (CIB):

Commercial and investment Banking services to larger corporates, financial institutions, and international counterparties in Uganda.

CIB incorporates

- Global markets - includes foreign exchange, fixed income, derivatives, and money market funding units.
- Investment Banking and trade finance - includes corporate lending and transactional Banking businesses, trade finance business and property related lending to corporates.

Treasury and Capital Management (TCM):

Oversees the management of liquidity, interest rate risk and surplus capital for the Group. The segment results for the years ended 31 December 2020 and 31 December 2019 are as follows:

Income statement	Personal and Business Banking UShs' 000	Corporate and Investment Banking UShs' 000	Treasury and Capital management UShs' 000	Other Subsidiaries UShs' 000	Total UShs' 000
Year ended 31 December 2020					
Net Interest income	**309,786,155**	**195,718,620**	**6,746,300**	**294,481**	**512,545,556**
Fee and commission income	**126,723,984**	**25,377,553**	**418**	**-**	**152,101,955**
Net trading income	**-**	**155,590,871**	**-**	**-**	**155,590,871**
Other income	**9,312,255**	**237,933**	**(146,301)**	**229,783**	**9,633,670**
Total operating income	**445,822,394**	**376,924,977**	**6,600,417**	**524,264**	**829,872,052**
Impairment losses	**(64,200,605)**	**(27,496,077)**	**(37,423)**	**-**	**(91,734,105)**
Other operating expenses	**(265,676,678)**	**(145,864,763)**	**13,905,296**	**(2,565,704)**	**(400,201,849)**
Profit before tax	**115,945,111**	**203,564,137**	**20,468,290**	**(2,041,440)**	**337,936,098**
Income tax expense	**(34,094,902)**	**(52,340,644)**	**(10,421,409)**	**607,182**	**(96,249,773)**
Profit after tax	**81,850,209**	**151,223,493**	**10,046,881**	**(1,434,258)**	**241,686,325**
Year ended 31 December 2019					
Net Interest income	303,113,598	205,008,315	2,897,465	315,031	511,334,409
Fee and commission income	136,509,732	19,470,614	423	-	155,980,769
Net trading income	-	128,811,621	-	-	128,811,621
Other income	8,950,816	604,677	123,093	-	9,678,586
Total operating income	**448,574,146**	**353,895,227**	**3,020,981**	**315,031**	**805,805,385**
Impairment losses	(34,509,288)	(9,011,570)	(1,154)	-	(43,522,012)
Other operating expenses	(262,867,734)	(142,339,375)	10,676,521	288,531	(394,242,057)
Profit before tax	151,197,124	202,544,282	13,696,348	603,562	368,041,316
Income tax expense	(44,925,840)	(55,453,061)	(8,385,283)	(183,074)	(108,947,258)
Profit after tax	106,271,284	147,091,221	5,311,065	420,488	259,094,058

The segmental information in the table above includes transactions made between different segments with in the Group that give rise to a cost in one segment and income to another segment.These transactions have no net impact to the Group as a whole. In 2020 these transactions had a net interest income of UShs 21.8bn (2019: UShs 62.4bn) and net trading cost of UShs 21.8bn (2019: UShs 62.4bn).

Statement of financial position	Personal and Business Banking UShs' 000	Corporate and Investment Banking UShs' 000	Treasury and Capital management UShs' 000	Other Subsidiaries UShs' 000	Total UShs' 000
As at 31 December 2020					
Total assets	**2,311,594,234**	**5,810,182,131**	**450,414,120**	**6,707,641**	**8,578,898,126**
Total liabilities	**1,932,790,562**	**5,155,844,340**	**296,209,316**	**(49,385,480)**	**7,335,458,738**
Equity	**378,803,672**	**654,337,791**	**154,204,804**	**56,093,121**	**1,243,439,388**
Other segment items included in the income statement					
Depreciation	**(20,297,329)**	**(936,102)**	**(13,898,039)**	**1,409,726**	**(33,721,744)**
Amortisation of intangible assets	**(3,378,836)**	**-**	**(11,323,809)**	**-**	**(14,702,645)**
As at 31 December 2019					
Total assets	2,187,318,196	3,981,594,377	481,816,642	95,998	6,650,825,213
Total liabilities	1,803,854,008	3,485,519,778	283,016,374	(38,431,382)	5,533,958,778
Equity	383,464,188	496,074,599	198,800,268	38,527,380	1,116,866,435
Other segment items included in the income statement					
Depreciation	(20,705,483)	(1,010,112)	(13,474,363)	1,266,429	(33,923,529)
Amortisation of intangible assets	(1,064,223)	-	(10,638,668)	-	(11,702,891)

5 Interest income

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Financial investments -FVOCI	**112,041,710**	82,656,894
Loans and advances to customers-amortized cost	**417,479,352**	397,102,234
Loans and advances to banks- amortized cost	**1,994,501**	2,797,254
Placements with group companies- amortized cost	**723,221**	275,338
Interest income on credit impaired financial assets	**3,994,802**	1,578,581
	536,233,586	484,410,301

All the amounts reported above comprise interest income calculated using the effective interest method.

6 Interest expense

	GROUP		COMPANY	
	2020 UShs'000	2019 UShs'000	2020 UShs'000	2019 UShs'000
Current accounts	**19,246,878**	14,934,326	-	-
Savings and deposit accounts	**11,129,706**	10,969,124	-	-
Subordinated debt	**5,202,256**	6,270,865	-	-
Deposits and borrowings from banks	**243,807**	203,462	-	-
Amounts due to group companies	**2,614,580**	-	-	-
Interest paid on other money market borrowings	**4,002,349**	304,450	-	-
Interest expense on leased liabilities	**3,001,861**	2,787,109	37,816	-
	45,441,437	35,469,336	37,816	-

All interest expense relates to financial liabilities at amortised cost except for interest expense on lease liabilities.

7 Net fee and commission income

a) Disaggregation of fees and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services.

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Fee and commission income		
Transactional and service related	**119,700,314**	125,612,995
Trade related	**21,308,551**	25,071,655
Credit related fees	**24,722,295**	20,081,365
	165,731,160	170,766,015
Fee and commission expense		
Transactional fees and commission expenses	**(8,449,791)**	(9,795,567)
Net fee and commission income	**157,281,369**	160,970,448

Net fee and commission income above exclude amounts included in determining the effective interest rate on financial assets measured at amortised cost of UShs 5,305 million (2019: UShs 4,478 million). All net fee and commission income relate to financial assets or liabilities at amortised cost.

b) Performance obligation and revenue recognition policies

Type of service	Description of the service	Revenue recognition under IFRS 15 (applicable from 1 January 2018)
Transactional and service related	These are service and transactional fee-based revenue that mainly comprise of but not limited to commissions on cheques cashed, statement charges, auxiliary charges, management fees, advisory fees, payments and collection related fees.	Revenue from account service fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.
Trade related	These are origination and processing fees relating to issuance of guarantees, performance bonds and letters of credit.	Revenue related to trade fees is recognised at the point in time when the transaction takes place.
Credit related	These fees include mainly loan arrangement fees, search fees, loan processing fees on short term facilities, commit- ment fees which are amortized over the period of the loan using the EIR model.	Revenue from credit related fees is recognised over time as the services are provided.

8 Net trading income

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Foreign exchange trading losses/ gains - Realized	(3,829,695)	11,608,138
Foreign exchange trading gains - Unrealized gains	27,942,768	32,011,457
Trading gains on financial instruments	149,836,365	150,089,726
Unrealised gains/losses on financial instruments	4,131,189	(2,114,067)
Trading income - other	(736,349)	(390,188)
	177,344,278	191,205,066

Debt securities include the effect of buying and selling and changes in the fair value of government securities.
Included in foreign exchange are gains and losses from spot and forward contracts and other currency derivatives

9 Other (losses)/gains on financial instruments

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Derecognition gains/losses	-	308,490
Realised fair value (losses)/gains on debt instruments at fair value through other comprehensive income	(132,234)	39,308
	(132,234)	347,798

Realised fair value (losses)/gains on debt instruments are recognised in profit or loss in accordance with the Group's accounting policies.

10 Other operating income

10(a) Dividend income

	COMPANY	
	2020 UShs' 000	2019 UShs' 000
Dividends income	129,000,000	-
	129,000,000	-

10(b) Other operating income

	GROUP		COMPANY	
	2020 USHs' 000	2019 UShs' 000	2020 UShs' 000	2019 UShs' 000
Gain on disposal of property and equipment	**204,640**	554,828	**-**	-
Rental income	**-**	-	**583,471**	1,526,623
Other income	**5,899,954**	5,088,746	**-**	-
	6,104,594	5,643,574	**583,471**	1,526,623

Other income includes profit share for bancassurance joint venture fees of UShs 4.1bn (2019: UShs 3.5bn).

11 Impairment charge for credit losses

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Net impairment (raised)/released		
Loans and advances to customers (note 19)	**(100,432,597)**	(50,594,524)
Loans and advances to banks (note 18)	**124,823**	(129,660)
Financial investments (note 17)	**(78,193)**	(29,242)
Off balance sheet (note 31)	**(2,561,564)**	(1,270,520)
Recoveries on loans and advances previously written off	**9,237,596**	7,342,872
Interest in suspense released on cured loans and advances	**1,975,830**	1,160,777
Modification gains and losses	**-**	(1,715)
	(91,734,105)	(43,522,012)

12 Employee benefits expense

	GROUP		COMPANY	
	2020 UShs' 000	2019 UShs' 000	2020 UShs' 000	2019
Salaries and wages	**123,813,775**	117,752,592	**1,516,260**	-
Contributions to statutory and other defined benefit plans	**30,536,870**	31,187,550	**495,871**	-
Other employee benefits	**15,161,489**	16,059,849	**185,407**	-
	169,512,134	164,999,991	**2,197,538**	-

13 Other operating expenses

	GROUP		COMPANY	
	2020 UShs'000	2019 UShs'000	2020 UShs'000	2019 UShs'000
Premises costs	**9,893,418**	10,769,362	**75,409**	-
Office expenses	**3,888,875**	5,520,637	**-**	-
Auditor's remuneration	**919,003**	989,367	**46,456**	35,264
Professional fees	**9,104,734**	6,655,778	**356,019**	700,719
IT expenses	**58,491,809**	44,545,378	**-**	-
Travel and entertainment	**4,754,327**	8,354,236	**69,103**	4,730
Marketing and advertising	**7,709,026**	11,677,779	**13,600**	-
Insurance	**4,312,035**	4,097,086	**-**	-
Deposit Protection Scheme contributions	**8,434,209**	7,283,370	**-**	-
Security expenses	**10,753,979**	13,029,336	**300**	-
Franchise fees	**24,874,501**	24,170,769	**-**	-
Directors fees and expenses	**692,098**	525,581	**95,095**	34,000
Training costs	**1,774,960**	4,476,181	**18,890**	2,000
Operational losses	**2,977,290**	2,923,348	**734**	-
Indirect taxes (VAT)	**19,301,130**	18,608,627	**(22,180)**	201,749
Bank charges	**1,117,416**	1,135,106	**29,057**	(1,022)
Leased equipment rental	**433,962**	1,138,603	**-**	-
Credit Bureau expenses	**1,313,465**	747,634	**-**	-
Other operating expenses	**32,360,502**	36,676,811	**296,409**	435
	203,106,739	203,324,989	**978,892**	977,875

Other operating expenses (note 13 above) is comprised of the following items;

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Communication expenses	**9,423,392**	8,008,479
Commissions paid	**8,188,615**	6,014,881
Administration and membership fees	**1,111,335**	1,079,800
Donations: non-tax allowable	**3,385,777**	2,292,772
Conference expenses (non-training)	**321,162**	1,519,661
Refreshments	**1,022,215**	1,177,443
Other operating costs	**8,908,006**	16,583,775
	32,360,502	36,676,811

Included in the IT costs are additional costs relating to the investment in the Group's systems specifically the upgrade of it's banking subsidiary core banking system (training costs, support costs and annual licence) and other peripheral systems that support in the day to day operations of the Group. In addition the Group incurred extra IT costs to enable it's staff work remotely following disruption by the pandemic. The other operating costs include the digital financial inclusion contribution costs of UShs 10.8bn (2019: UShs 6.8bn) and provisions for unspecified expected losses of UShs 5.5bn (2019: UShs 7.0bn). Included in the operational risk losses is the cost of full provision for the cyber security incident that happened during October 2020.

14 Income tax expense

	GROUP		COMPANY	
	2020 UShs' 000	2019 UShs' 000	2020 UShs' 000	2019 UShs' 000
Current income tax	**88,366,848**	109,042,706	**(8,548)**	157,133
Deferred income tax (see note 20)	**(11,440,384)**	(18,502,325)	**(855,482)**	(5,997)
	76,926,464	90,540,381	**(864,030)**	151,136

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

	GROUP		COMPANY	
	2020 UShs' 000	2019 UShs' 000	2020 UShs' 000	2019 UShs' 000
Profit before income tax	**318,612,789**	349,634,439	**126,102,401**	497,124
Tax calculated at statutory tax rate of 30% (2019: 30%)	**95,583,837**	104,890,332	**37,830,720**	149,137
Tax effects of:				
Income not subject to tax	**-**	-	**(38,700,000)**	-
Income subject to tax at 20%	**(21,351,119)**	(16,391,286)	**-**	-
Income subject to tax at 10%	**(223,995)**	(88,566)	**-**	-
Expenses not deductible for tax purposes	**2,639,988**	2,332,680	**5,250**	1,999
Prior year current income tax under / over provision	**277,753**	(202,779)	**-**	-
	76,926,464	90,540,381	**(864,030)**	151,136

The movement in current tax recoverable is as follows:

	GROUP		COMPANY	
	2020 UShs' 000	2019 UShs' 000	2020 UShs' 000	2019 UShs' 000
At start of year	**(2,038,942)**	(14,655,628)	(15,883,532)	(3,978,881)
Income tax charge	**88,366,848**	109,042,706	(8,548)	157,133
Tax (paid)/refund	**(91,394,617)**	(96,426,020)	4,171,663	(12,061,784)
At end of year	**(5,066,711)**	(2,038,942)	(11,720,417)	(15,883,532)

15 Earnings per share

Earnings per share	GROUP		COMPANY	
	2020	2019	2020	2019
Basic				
Profit attributable to ordinary shareholders (UShs'000)	**241,686,325**	259,094,058	**126,966,431**	345,988
Weighted average number of ordinary shares in issue (thousands)	**51,188,670**	51,188,670	**51,188,670**	51,188,670
Basic earnings per share (expressed in Shs per share)	**4.72**	5.06	**2.48**	0.01
Basic				
Dividends proposed	**95,000,000**	110,000,000	**95,000,000**	110,000,000
Weighted average number of ordinary shares in issue (thousands)	**51,188,670**	51,188,670	**51,188,670**	51,188,670
DPS	**1.86**	2.15	**1.86**	2.15

There were no potentially dilutive shares as at 31 December 2020 or on 31 December 2019. Therefore, diluted earnings per share are the same as basic earnings per share.

16 Cash and balances with Bank of Uganda

	GROUP		COMPANY	
	2020 UShs'000	2019 UShs'000	2020 UShs'000	2019 UShs'000
Coins and bank notes	**442,626,522**	430,593,648	**1,000**	-
Balances with Bank of Uganda	**712,707,085**	693,348,495	**-**	-
	1,155,333,607	1,123,942,143	**1,000**	-

Banks are required to maintain a prescribed minimum cash balance with Bank of Uganda. The amount is determined by Bank of Uganda on a preset formula on a rolling fortnightly basis; 8.33% in 2020 (2019: 8.33%). The reserve as at 31 December 2020 was UShs 456,990m (2019: UShs 375,360m). The cash reserves available for use in the banking subsidiary's day to day activities and may fall by upto 50% on a given day. However, there are sanctions for non-compliance.

17 Other financial investments

	GROUP	
	2020 USh's 000	2019 USh's 000
17.1) Financial investments		
Treasury bills		
At the start of the year	**351,397,845**	348,363,530
Additions	**611,206,499**	397,151,919
Disposals	**(688,057,262)**	(361,965,513)
Fair value adjustments	**1,752,534**	(2,696,600)
Transfer (to) and from pledged assets	**29,455,491**	(29,455,491)
At the end of the year	**305,755,107**	351,397,845
Treasury bonds		
At the start of the year	**414,779,871**	253,432,034
Additions	**290,227,094**	115,600,586
Disposals	**(172,057,108)**	45,401,492
Fair value adjustments	**(9,179,646)**	345,759
Transfer to pledged assets	**(107,951,960)**	-
At the end of the year	**415,818,251**	414,779,871
Total at the end of the year	**721,573,358**	766,177,716
Other equity investments		
S.W.I.F.T. SCRL	**199,424**	182,655
Total other equity investments	**199,424**	182,655
Financial investments	**721,772,782**	766,360,371
17.2) Trading Assets		
Treasury bills		
At the start of the year	**305,270,153**	165,016,006
Additions	**4,970,864,118**	948,870,717
Disposals	**(4,617,541,220)**	(808,124,406)
Fair value adjustments	**1,099,540**	(492,164)
Transfer to pledged assets	**(86,848,064)**	-
At the end of the year	**572,844,527**	305,270,153
Treasury bonds		
At start of the year	**307,280,951**	143,408,324
Additions	**2,627,976,344**	1,340,143,766
Disposals	**(2,142,247,345)**	(1,172,403,186)
Fair value adjustments	**1,821,779**	(3,867,953)
Transfer to pledged assets	**(265,727,218)**	-
At the end of the year	**529,104,511**	307,280,951
	1,101,949,038	612,551,104
	1,823,721,820	1,378,911,475

Government treasury bills are debt securities issued by Bank of Uganda for a term of three months, six months or one year. Government treasury bonds are debt instruments issued by Bank of Uganda for a term of either two, three, five or ten years.

Government securities are categorised as fair value through other comprehensive income which are fair valued through reserves and trading assets, which are fair valued through the income statement. The weighted average effective interest rate on treasury bills and bonds was 12.97% (2019: 15.12%).

Other equity investments relate to investment in the Society for Worldwide Interbank Financial Telecommunication (SWIFT) shares, an entity that provides a network that enables financial institutions to send and receive information about financial transactions in a secure, standardised and reliable environment.

17.3 Pledged assets

	Carrying amount of transferred assets	Carrying amount of associated liabilities	Fair value of transferred assets[1]	Fair value of associated liabilities[1]	Net fair value[1]
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
2020					
Securities pledged against the clearing house	168,372,750	-	167,413,294	-	167,413,294
Securities pledged against financial liabilities	292,154,492	300,057,534	290,609,022	300,049,285	(9,430,406)
Pledged assets (as recognised on the statement of financial position)	460,527,242	300,057,534	458,022,316	300,049,285	157,982,888
Total assets pledged	460,527,242	300,057,534	458,022,316	300,049,285	157,982,888
2019					
Securities pledged against the clearing house	29,455,491	-	29,512,208	-	29,512,208
Pledged assets (as recognised on the statement of financial position)	29,455,491	-	29,512,208	-	29,512,208
Total assets pledged	29,455,491	-	29,512,208	-	29,512,208

As at 31 December 2020, the Group had obtained funding from Bank of Uganda amounting to UShs 300 billion as disclosed in Note 29 under repurchase agreements for government securities with a fair value as at that date of Shs 292 billion. In addition, the Group has pledged an additional UShs 168 billion to Bank of Uganda under the automated clearing house rules (2019: UShs 29 billion). Bank of Uganda has the right to transfer or sell these instruments. Accordingly, they have been presented separately on the face of the statement of financial position.

Reconciliation of expected credit losses for debt financial investments measured at FVOCI

	Opening ECL 2020/01/01	Total transfers between stages	Income statement movements				Net impairments (raised)/ released	Closing ECL 2020/12/31
	Shs'000	Shs'000					Shs'000	Shs'000
2020			ECL on new exposures raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition		
			Shs'000	Shs'000	Shs'000	Shs'000		
Financial Investiments measured at FVOCI								
Stage 1	(110,019)		(188,212)	-	-	110,019	(78,193)	(188,212)
Stage 2	-			-	-	-	-	-
Stage 3	-		-	-	-	-	-	-
Total	(110,019)	-	(188,212)	-	-	110,019	(78,193)	(188,212)

	Opening ECL 2019/01/01	Total transfers between stages	Income statement movements				Net impairments (raised)/ released	Closing ECL 2019/12/31
	Shs'000	Shs'000					Shs'000	Shs'000
2019			ECL on new exposures raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition		
			Shs'000	Shs'000	Shs'000	Shs'000		
Financial Investiments measured at FVOCI								
Stage 1	(80,777)		(70,791)	-	10,016	31,533	(29,242)	(110,019)
Stage 2	-			-	-	-	-	-
Stage 3	-		-	-	-	-	-	-
Total	(80,777)	-	(70,791)	-	10,016	31,533	(29,242)	(110,019)

18 Loans and advances to banks

	GROUP	
Measured at amortised cost	**2020 UShs' 000**	**2019 UShs' 000**
Items in course of collection - foreign banks	**17,560,694**	12,617,660
Placements with local banks	**91,104,336**	537,809,285
Placements with foreign banks	**575,379,667**	274,963,110
Gross loans and advances	**684,044,697**	825,390,055
Less: provision for impairment	**(115,209)**	(137,563)
	683,929,488	825,252,492

The weighted average effective interest rate on loans and advances to banks was 0.6% (2019: 0.6%)

Reconciliation of expected credit losses for loans and advances to banks measured at amortized cost as at 31 December 2020.

2020	Opening ECL 1 January 2020	Total transfers between stages	Income statement movements: ECL on new exposures raised	Income statement movements: Subsequent changes in ECL	Income statement movements: Change in ECL due to derecognition	Net impairments (raised)/ released	Exchange and other movements	Closing ECL 31 December 2020
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Stage 1	(137,561)	187	(29,315)	230,840	5,549	207,261	(102,453)	(32,753)
Stage 2	(2)	(187)	(82,041)	(210)	-	(82,438)	(16)	(82,456)
Stage 3	-	-	-	-	-	-	-	-
Total	(137,563)	-	(111,356)	230,630	5,549	124,823	(102,469)	(115,209)

2019	Opening ECL 1 January 2019	Total transfers between stages	Income statement movements: ECL on new exposures raised	Income statement movements: Subsequent changes in ECL	Income statement movements: Change in ECL due to derecognition	Net impairments (raised)/ released	Exchange and other movements	Closing ECL 31 December 2019
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Stage 1	(6,949)	(954)	(134,679)	306	4,715	(129,658)	-	(137,561)
Stage 2	(954)	954	(2)	-	-	(2)	-	(2)
Stage 3	-	-	-	-	-	-	-	-
Total	(7,903)	-	(134,681)	306	4,715	(129,660)	-	(137,563)

19 Loans and advances to customers

	GROUP	
Measured at amortised cost	**2020 UShs' 000**	**2019 UShs' 000**
Personal and Business Banking		
Mortgage lending	**293,360,776**	263,940,563
Vehicle and asset finance	**131,623,678**	115,386,884
Card debtors	**3,722,980**	4,951,117
Other loans and advances	**1,437,883,029**	1,387,400,578
Corporate and Investment Banking		
Corporate lending	**1,924,507,972**	1,203,150,318
Gross loans and advances	**3,791,098,435**	2,974,829,460
Less: Interest In Suspense	**(7,656,032)**	(5,549,607)
Less: Expected credit loss for loans and advances measured at amortised cost (IFRS 9)	**(165,089,082)**	(116,632,408)
	3,618,353,321	2,852,647,445

Included in other loans and advances is the fair value adjustment of loans advanced to staff at off market rates of UShs 15,927m (2019: UShs 18,659m).

Reconciliation of expected credit losses for loans and advances measured at amortised cost as at 31 December 2020

2020	Opening ECL	Total transfers between stages	Income statement movements			Net impairments (raised)/ released	Impaired accounts written-off	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Subsequent changes in ECL	Change in ECL due to derecognition				
Personal and Business Banking (PBB)									
Mortgage loans									
Stage 1	(495,944)	(685,201)	(170,081)	(2,338,787)	-	(3,194,069)	-	-	(3,690,013)
Stage 2	(2,994,415)	917,023	(61,253)	(599,293)	-	256,477	-	-	(2,737,938)
Stage 3	(3,037,777)	(231,822)	(293,888)	(3,084,783)	-	(3,610,493)	1,107,729	-	(5,540,541)
Vehicle and asset finance									
Stage 1	(716,839)	(1,844,131)	(88,097)	1,405,935	-	(526,293)	-	-	(1,243,132)
Stage 2	(4,225,845)	2,363,536	(1,063,294)	(166,288)	-	1,133,954	-	-	(3,091,891)
Stage 3	(1,462,140)	(519,405)	(1,198,440)	(799,688)	-	(2,517,533)	-	-	(3,979,673)
Card debtors									
Stage 1	(74,519)	(191,987)	(64,870)	228,801	-	(28,056)	-	-	(102,575)
Stage 2	(467,595)	210,097	(25,308)	(407,669)	-	(222,880)	-	-	(690,475)
Stage 3	(179,433)	(18,110)	-	(791,592)	-	(809,702)	732,438	-	(256,697)
Other Loans and Advances									
Stage 1	(18,837,755)	(2,852,951)	(3,994,164)	4,297,118	-	(2,549,997)	-	-	(21,387,752)
Stage 2	(18,888,230)	4,071,073	(3,073,424)	3,438,959	-	4,436,608	-	-	(14,451,622)
Stage 3	(38,349,299)	(1,218,122)	(16,126,323)	(49,660,821)	-	(67,005,266)	50,199,264	-	(55,155,301)
Total PBB	(89,729,791)	-	(26,159,142)	(48,478,108)	-	(74,637,250)	52,039,431	-	(112,327,610)
Corporate and Investment Banking(CIB)									
Stage 1	(4,679,473)	158,667	(6,612,994)	201,182	1,654,639	(4,598,506)	-	28,117	(9,091,195)
Stage 2	(1,574,519)	(158,667)	(35,479)	1,546,590	64,393	1,416,837	-	(844)	(317,193)
Stage 3	(20,648,625)	-	(30,153,803)	3,258,618	4,281,507	(22,613,678)	-	(90,781)	(43,353,084)
Total CIB	(26,902,617)	-	(36,802,276)	5,006,390	6,000,539	(25,795,347)	-	(63,508)	(52,761,472)
Total	(116,632,408)	-	(62,961,418)	(43,471,718)	6,000,539	(100,432,597)	52,039,431	(63,508)	(165,089,082)

Reconciliation of expected credit losses for loans and advances measured at amortised cost as at 31 December 2019

2019	Opening ECL	Total transfers between stages	Income statement movements				Net impairments (raised)/ released	Impaired accounts written-off	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
Personal and Business Banking (PBB)										
Mortgage loans										
Stage 1	(963,461)	(1,411,315)	(82,817)	-	1,961,649	-	1,878,832	-	-	(495,944)
Stage 2	(4,508,831)	568,168	-	-	946,248	-	946,248	-	-	(2,994,415)
Stage 3	(7,024,196)	843,147	-	-	1,354,733	-	1,354,733	1,788,539	-	(3,037,777)
Vehicle and asset finance										
Stage 1	(1,862,928)	(1,698,443)	(1,283,559)	-	4,128,091	-	2,844,532	-	-	(716,839)
Stage 2	(1,686,719)	514,783	-	-	(3,053,909)	-	(3,053,909)	-	-	(4,225,845)
Stage 3	(2,096,360)	1,183,660	-	-	(549,440)	-	(549,440)	-	-	(1,462,140)
Card debtors										
Stage 1	(277,705)	(533,813)	(10,937)	-	747,936	-	736,999	-	-	(74,519)
Stage 2	(861,440)	553,219	-	-	(159,374)	-	(159,374)	-	-	(467,595)
Stage 3	(112,726)	(19,406)	-	-	(226,234)	-	(226,234)	178,933	-	(179,433)
Other Loans and Advances										
Stage 1	(12,201,027)	(5,364,383)	(5,560,770)	-	4,288,425	-	(1,272,345)	-	-	(18,837,755)
Stage 2	(14,642,220)	4,728,294	-	-	(8,974,304)	-	(8,974,304)	-	-	(18,888,230)
Stage 3	(26,020,567)	636,089	-	(1,160,778)	(34,997,729)	-	(36,158,507)	22,240,424	953,262	(38,349,299)
Total PBB	(72,258,180)	-	(6,938,083)	(1,160,778)	(34,533,908)	-	(42,632,769)	24,207,896	953,262	(89,729,791)
Corporate and Investment Banking (CIB)										
Stage 1	(4,389,124)	573	(1,444,979)	-	324,482	1,415,635	295,138	-	(586,060)	(4,679,473)
Stage 2	(545,127)	221,119	(1,564,890)	-	(9,055)	545,127	(1,028,818)	-	(221,693)	(1,574,519)
Stage 3	(13,200,490)	(221,692)	(15,079,674)	-	7,851,599	-	(7,228,075)	-	1,632	(20,648,625)
Total CIB	(18,134,741)	-	(18,089,543)	(1,160,778)	8,167,026	1,960,762	(7,961,755)	-	(806,121)	(26,902,617)
Total	(90,392,921)	-	(25,027,626)		(26,366,882)	1,960,762	(50,594,524)	24,207,896	147,141	(116,632,408)

The loans and advances to customers include finance lease receivables for both PBB and CIB as follows:

Vehichle and Asset Finance

	2020 USh' 000	2019 USh' 000
Gross investment in finance leases		
No later than 1 year	**14,524,103**	34,609,918
Later than 1 year but no later than 5 years	**151,572,373**	158,965,138
Later than 5 years	**39,106,752**	100,761
	205,203,228	193,675,817
Unearned future finance income on finance leases	**(31,312,855)**	(34,078,345)
Net investment in finance leases	**173,890,373**	159,597,472
The net investment in finance leases may be analysed as follows:		
No later than 1 year	**14,523,480**	31,277,151
Later than 1 year but no later than 5 years	**130,173,988**	128,240,986
Later than 5 years	**29,192,905**	79,335
	173,890,373	159,597,472

The gross carrying amount for modifications during the reporting year that resulted in no economic gain or loss (i.e. no net modification gain or loss) is UShs 662.9bn (2019: UShs 2.9bn).

20 Deferred tax asset

		GROUP		COMPANY
	2020	2019	2020	2019
	UShs'000	UShs'000	UShs'000	UShs'000
Balance as at 1 January	**30,877,380**	11,899,938	**(321,587)**	(327,584)
Charged to profit or loss	**11,678,453**	18,502,325	**864,029**	5,997
Prior year tax (over) / under statement	**(238,069)**	-	**(8,548)**	-
Transfer	**-**	-	**316,148**	-
Charged to other comprehensive income	**2,224,955**	475,117	**-**	-
As at 31 December	**44,542,719**	30,877,380	**850,042**	(321,587)
Deferred tax assets				
Provisions for loans and advances	**18,051,076**	16,640,620	**-**	-
Financial Investments	**1,157,895**	(1,067,062)	**-**	-
Other deductible temporary differences	**47,196,971**	36,720,039	**509,257**	-
	66,405,942	52,293,597	**509,257**	-
Deferred tax liabilities				
Property and equipment	**(21,863,223)**	(21,416,217)	**340,785**	(321,587)
Net deferred income tax asset	**44,542,719**	30,877,380	**850,042**	(321,587)
Income statement movement				
Property and equipment	**(353,961)**	(1,297,643)	**19,198**	5,997
Provisions for loans and advances	**1,410,456**	3,699,107	**-**	-
Other deductible temporary differences	**10,383,889**	16,100,861	**(883,227)**	-
	11,440,384	18,502,325	**(864,029)**	5,997

21 Other assets

		GROUP		COMPANY
	2020	2019	2020	2019
	UShs'000	UShs'000	UShs'000	UShs'000
Clearances in transit	**17,835,459**	5,422,354	**-**	-
Prepayments	**19,220,990**	23,016,966	**61,826**	153,465
Prepaid lease premium	**-**	67,646	**-**	-
Fees receivable	**10,760,603**	5,813,718	**-**	-
Other accounts receivable	**48,971,678**	18,319,668	**165,678**	100,000
	96,788,730	52,640,352	**227,504**	253,465

1 Due to the short-tern nature of these assets and historical experience, debtors are regarded as having a low probability of default. Therefore, the ECL has been assessed to be insignificant.

The fees receivable includes commissions earned but not yet received from joint venture profit share UShs 4.1bn (2019: UShs 3.5bn), custody fees UShs 0.4bn (2019: UShs 0.6bn), structured fees UShs 4.5bn (2019: nil), guarantee fees UShs 0.5bn (2019: UShs 0.6bn), and Bancassurance UShs 1.2bn (2019: UShs 0.3bn).

22 Goodwill and other intangible assets

	GROUP			
	Computer software USh' 000	Goodwill USh' 000	Work in progress USh' 000	Total USh' 000
Cost				
At 1 January 2020	134,732,779	1,901,592	-	136,634,371
Additions	10,988,428	-	93,540	11.081.968
At 31 December 2020	145,721,207	1,901,592	93,540	147,716,339
Amortisation				
At 1 January 2020	39,566,117	-	-	39,566,117
Charge for the year	13,194,769	-	-	13,194,769
Impairment	1,507,877			1,507,877
At 31 December 2020	54,268,763	-	-	54,268,763
Net book value as at 31 December 2020	91,452,444	1,901,592	93,540	93,447,576

	GROUP		
	Computer software USh' 000	Goodwill USh' 000	Total USh' 000
Cost			
At 1 January 2019	135,460,891	1,901,592	137,362,483
Transfer	(478,112)	-	(478,112)
Write off	(250,000)	-	(250,000)
At 31 December 2019	134,732,779	1,901,592	136,634,371
Amortisation			
At 1 January 2019	27,863,226	-	27,863,226
Charge for the year	11,702,891	-	11,702,891
At 31 December 2019	39,566,117	-	39,566,117
Net book value as at 31 December 2019	95,166,662	1,901,592	97,068,254

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment of goodwill identified in 2020 (2019: nil). Intangible assets relate to Finacle-core banking system, New Business Online (BoI) and records management software developed to digitize the customer (KYC) records for the Group's banking entity.

23. Property, equipment and right of use assets

GROUP	Property	Equipment				Right of use asset			
	Land and buildings	Furniture, fittings and equipment	Computer equipment	Motor vehicles	Work in progress	Building	Branches	ATM Spacing	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Cost									
At 1 January 2020	**3,402,996**	**80,767,051**	**86,053,896**	**9,599,926**	**6,676,281**	**19,410,413**	**18,782,028**	**6,682,153**	**231,374,744**
Additions	-	**2,316,242**	**5,012,893**	**307,835**	**19,654,784**	**1,928,908**	**5,936,653**	**3,525,753**	**38,683,068**
Transfers	-	**1,105,423**	**15,694,905**	-	**(26,331,065)**				**(9,530,737)**
Disposals	-	**(1,022,508)**	**(2,783,789)**	**(851,823)**	-	**(141,402)**	**(153,854)**	**(30,682)**	**(4,984,058)**
Written off					-				-
At 31 December 2020	**3,402,996**	**83,166,208**	**103,977,905**	**9,055,938**	-	**21,197,919**	**24,564,827**	**10,177,224**	**255,543,017**
Depreciation									
At 1 January 2020	**1,222,231**	**62,097,059**	**61,871,451**	**5,337,124**	-	**6,118,801**	**4,994,260**	**3,295,453**	**144,936,379**
Charge for the year	**64,441**	**6,524,886**	**12,525,950**	**1,389,788**	-	**5,667,450**	**5,079,397**	**2,469,832**	**33,721,744**
On disposals	-	**(957,497)**	**(2,753,224)**	**(775,181)**	-	**(47,134)**	-	-	**(4,533,036)**
At 31 December 2020	**1,286,672**	**67,664,448**	**71,644,177**	**5,951,731**	-	**11,739,117**	**10,073,657**	**5,765,285**	**174,125,087**
Net book value as at 31 December 2020	**2,116,324**	**15,501,760**	**32,333,728**	**3,104,207**	-	**9,458,802**	**14,491,170**	**4,411,939**	**81,417,930**
Cost									
IFRS 16 Transition 1 January 2019						19,772,799	13,753,643	3,166,663	36,693,105
At 1 January 2019	3,402,996	76,938,891	81,204,855	8,572,568	324,965				170,444,275
Additions	-	4,235,521	8,567,321	2,252,999	8,541,130	7,605,038	5,028,385	6,024,305	42,254,699
Transfers	-	2,646,182	21,744	-	(2,189,814)				478,112
Disposals	-	(3,053,543)	(3,740,024)	(1,225,641)	-	(7,967,424)	-	(2,508,815)	(18,495,447)
Written off					-				-
At 31 December 2019	3,402,996	80,767,051	86,053,896	9,599,926	6,676,281	19,410,413	18,782,028	6,682,153	231,374,744
Depreciation									
At 1 January 2019	1,153,400	56,624,728	56,283,376	4,856,194	-				118,917,698
Charge for the year	68,831	8,503,293	9,321,159	1,621,732	-	6,118,801	4,994,260	3,295,453	33,923,529
On disposals	-	(3,030,962)	(3,733,084)	(1,140,802)	-				(7,904,848)
At 31 December 2019	1,222,231	62,097,059	61,871,451	5,337,124	-	6,118,801	4,994,260	3,295,453	144,936,379
Net book value as at 31 December 2019	2,180,765	18,669,992	24,182,445	4,262,802	6,676,281	13,291,612	13,787,768	3,386,700	86,438,365

As at 31 December 2020 Property, equipment and right of use asset includes right of use assets of UShs 30.1 bn (2019: UShs 34 bn) relating to leased branches, ATMs and buildings.

23. Property, equipment and right of use assets (continued)

COMPANY	Property	Equipment		Right of use asset			Total
	Land and buildings	Furniture, fittings and equipment	Computer equipment	Building	Branches	ATM Spacing	Total
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Cost							
At 1 January 2020	3,402,996	156,050	-	-	-	-	3,559,046
Additions	-	483,431	38,584	421,930	-	-	943,945
Transfers	-	-	-	-	-	-	-
Disposals	(3,402,996)	-	-	-	-	-	(3,402,996)
Written off	-	-	-	-	-	-	-
At 31 December 2020	-	639,481	38,584	421,930	-	-	1,099,995
Depreciation							
At 1 January 2020	1,222,231	-	-	-	-	-	1,222,231
Charge for the year	28,680	86,281	3,617	148,246	-	-	266,824
On disposals	(1,250,911)	-	-	-	-	-	(1,250,911)
At 31 December 2020	-	86,281	3,617	148,246	-	-	238,144
Net book value as at 31 December 2020	-	553,200	34,967	273,684	-	-	861,851
Cost							
IFRS 16 Transition 1 January 2019	-	-	-	-	-	-	-
At 1 January 2019	3,402,996	-	-	-	-	-	3,402,996
Additions	-	156,050	-	-	-	-	156,050
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Written off	-	-	-	-	-	-	-
At 31 December 2019	3,402,996	156,050	-	-	-	-	3,559,046
Depreciation							
At 1 January 2019	1,170,607	-	-	-	-	-	1,170,607
Charge for the year	51,624	-	-	-	-	-	51,624
On disposals	-	-	-	-	-	-	-
At 31 December 2019	1,222,231	-	-	-	-	-	1,222,231
Net book value as at 31 December 2019	2,180,765	156,050	-	-	-	-	2,336,815

24. Ordinary share capital

Group and Company ordinary share capital	Number of ordinary shares (thousands)	Ordinary share capital UShs'000	Total UShs'000
Issued and fully paid			
At 31 December 2019	**51,188,670**	**51,188,670**	**51,188,670**
At 31 December 2020	**51,188,670**	**51,188,670**	**51,188,670**

The par value of ordinary shares is UShs 1 per share. The holders of the ordinary shares are entitled to one vote per share at the annual or special general meeting of the Group. They are also entitled to dividends when declared.

25. Fair value through other comprehensive income

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Balance as at 1 January	**2,599,829**	3,679,191
Net gains/(losses) from changes in fair value	(7,416,522)	(1,583,721)
Deferred tax on fair value change	2,224,957	475,117
Net change in expected credit losses	78,193	29,242
Net movement for the year	**(5,113,372)**	(1,079,362)
Balance as at 31 December	**(2,513,543)**	2,599,829

26. Statutory credit risk reserve

The statutory credit risk reserve represents amounts by which provisions for impairments of loans and advances, determined in accordance with the Financial Institutions Act 2004, as amended exceed those determined in accordance with International Financial Reporting Standards.

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Specific provisions (regulatory)	**72,229,055**	68,318,787
General provisions (regulatory)	**55,715,739**	46,212,202
	127,944,794	114,530,989
Less		
Identified impairment (in accordance with IFRS)	**109,959,015**	63,684,505
Unidentified impairment (in accordance with IFRS)	**47,159,664**	42,379,951
Difference	**(29,173,885)**	8,466,533
Statutory Credit risk reserve	**-**	8,466,533

27. Derivatives

The Group uses currency forward derivative instruments and interest rate derivatives for non-hedging purposes. Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market foreign exchange rates on hand relative to their terms. The aggregate contractual or notional amount of derivative financial instruments, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.The notional amount is the sum of the absolute value of all bought and sold contracts for both derivative assets and liabilities.

The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the Group's participation in derivative contracts. The maturity analysis of the fair values of derivative instruments held is set out below.

GROUP						
	Fair value of assets		Fair value of liabilities		Notional	
	2020	2019	2020	2019	2020	2019
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Interest rate swaps	132,686,758	53,227,830	(135,971,236)	(54,351,361)	3,482,014,020	3,273,557,564
Currency options	10,590,691	25,920,668	(10,590,685)	(25,920,661)	779,637,087	1,270,631,848
Currency forwards	7,066,019	2,437,777	(16,032,108)	(24,376,907)	468,845,950	919,935,015
Currency swaps	10,573,658	911,034	(67,139,382)	(21,327,203)	2,059,943,620	831,736,364
	160,917,126	82,497,309	(229,733,411)	(125,976,132)	6,790,440,677	6,295,860,791

As at 31 December 2020	Less than 1 year UShs' 000	1-5 years UShs' 000	Over 5 years UShs' 000	Total UShs' 000
Assets				
Interest rate swaps	2,028	650,224	132,034,506	132,686,758
Currency options	1,266,679	9,324,012	-	10,590,691
Currency forwards	3,661,533	3,404,486	-	7,066,019
Currency swaps	4,645,237	5,928,421	-	10,573,658
Fair value of assets	9,575,477	19,307,143	132,034,506	160,917,126
Liabilities				
Interest rate swaps	(12,773)	(3,923,957)	(132,034,506)	(135,971,236)
Currency options	(1,266,680)	(9,324,005)	-	(10,590,685)
Currency forwards	(4,653,208)	(11,378,900)	-	(16,032,108)
Currency swaps	(7,136,991)	(60,002,391)	-	(67,139,382)
Fair value of liabilities	(13,069,652)	(84,629,253)	(132,034,506)	(229,733,411)
Net fair value	(3,494,175)	(65,322,110)	-	(68,816,285)

As at 31 December 2019	Less than 1 year UShs' 000	1-5 years UShs' 000	Over 5 years UShs' 000	Total UShs' 000
Assets				
Interest rate swaps	17,859	302,921	52,907,050	53,227,830
Currency options	5,247,222	20,673,446	-	25,920,668
Currency forwards	1,642,937	794,840	-	2,437,777
Currency swaps	871,689	39,345	-	911,034
Fair value of assets	7,779,707	21,810,552	52,907,050	82,497,309
Liabilities				
Interest rate swaps	(53,852)	(1,390,459)	(52,907,050)	(54,351,361)
Currency options	(5,247,223)	(20,673,438)	-	(25,920,661)
Currency forwards	(12,404,323)	(11,972,584)	-	(24,376,907)
Currency swaps	(3,190,758)	(18,136,445)	-	(21,327,203)
Fair value of liabilities	(20,896,156)	(52,172,926)	(52,907,050)	(125,976,132)
Net fair value	(13,116,449)	(30,362,374)	-	(43,478,823)

28. Deposits with customers

	GROUP	
	2020 USh s' 000	2019 UShs' 000
Current and demand deposits	**4,770,787,497**	4,142,293,221
Savings accounts	**471,362,052**	376,686,134
Fixed and call deposit accounts	**251,329,985**	203,224,215
	5,493,479,534	4.722,203,570

The weighted average effective interest rate on customer deposits was 0.63% (2019: 0.63%)

29. Deposits with banks

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Balances due to other banks - local currency	**254,990,766**	114,793,848
Balances due to other banks - foreign currency	**230,437,392**	86,905,950
Repurchase and other collateralised agreements	**300,049,285**	-
	785,477,443	201,699,798

30. Borrowed funds

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Bank of Uganda : Agricultural Credit Facility	**43,346,567**	11,081,783
	43,346,567	11,081,783
Movement Analysis		
As at 1 January	**11,081,783**	13,788,121
New disbursements	**34,556,454**	9,704,729
Payments to Bank Of Uganda	**(2,291,670)**	(12,411,067)
Net movement	**32,264,784**	(2,706,338)
As at 31 December	**43,346,567**	11,081,783

The Government of Uganda, through Bank of Uganda, set up an Agricultural Credit Facility scheme for the purpose of supporting agricultural expansion and modernization in partnership with commercial banks. All eligible Stanbic Bank Uganda Limited ("the Bank") customers receive 50% financing from the Government of Uganda through the Bank of Uganda administered credit facility while the remaining 50% is provided by the Bank. The outstanding balance as at 31 December was UShs 43,347 million (2019: UShs 11,082 million). The Bank does not pay any interest to the Government of Uganda. Refunds to the government are made half yearly and as at 31 December 2020; the last payable instalment is due on 17 March 2025. The Bank complied with all the terms and conditions of the agreements during the year.

31. Other liabilities

	GROUP		COMPANY	
	2020 UShs'000	2019 UShs'000	2020 UShs'000	2019 UShs'000
Uganda Revenue Authority - Tax revenue collections	**16,520,806**	8,034,209	**125,842**	-
Bills payable	**115,596,385**	104,148,210	**549,599**	697,721
Unclaimed balances	**38,149,026**	31,328,240	**-**	-
Sundry creditors	**45,814,253**	52,065,518	**82,099**	-
Unearned fees & commission income	**3,923,433**	935,814	**-**	-
Dividends payable	**35,753,618**	14,493,951	**35,704,364**	14,492,999
Expected credit loss for off-balance sheet exposures (Note 31.1)	**4,924,978**	2,383,268	**-**	-
Lease liabilities (Note 31.2)	**27,344,438**	28,399,391	**326,053**	-
Other liabilities	**70,764,842**	126,008,078	**589,053**	-
	358,791,779	367,796,679	**37,377,010**	15,190,720

Included in other liabilities for 2020 is UShs 31.0bn relating to accepted letters of credit payable to third parties at a determined future date. (2019: UShs 91.0bn) and staff cost provisions of UShs 34.1bn (2019: UShs 33.4bn). Bills payable include: country driven Change the Bank projects of UShs 35.0bn (2019: UShs 6.8bn), and UShs 10.8bn digital financial inclusion contribution costs (2019: UShs 9.4bn).

31.1 Reconciliation of expected credit losses for off-balance sheet exposures

2020	Opening ECL	Total transfers between stages	Total transfers between stages			Net impairments (raised)/released	Exchange and other movements	
			ECL on new exposures raised	Subsequent changes in ECL	Change in ECL due to derecognition			Closing ECL
	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000	UShs'000
Off balance sheet committed facilities								
Stage 1	-	-	-	-	-	-	-	-
Letters of credit and bank acceptances								
Stage 1	(116,576)	(8,905)	(1,952)	(17,937)	1,168	(27,626)	-	(144,202)
Stage 2	(67,024)	68,535	(486)	-	119	68,168	(1,629)	(485)
Stage 3	-	(59,630)	-	(296,024)	-	(355,654)	3,280	(352,374)
Guarantees								
Stage 1	(1,234,271)	(456,453)	(13,348)	(924,828)	3,065	(1,391,564)	(135)	(2,625,970)
Stage 2	(958,168)	672,349	-	(357,182)	155,847	471,014	6,551	(480,603)
Stage 3	(7,229)	(215,896)	-	(1,115,821)	5,815	(1,325,902)	11,787	(1,321,344)
Total	(2,383,268)	-	(15,786)	(2,711,792)	166,014	(2,561,564)	19,854	(4,924,978)

2019	Opening ECL	Total transfers between stages	Income statement movements			Net impairments (raised)/released	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Subsequent changes in ECL	Change in ECL due to derecognition			
	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000	UShs' 000
Off balance sheet committed facilities								
Stage 1	(586,059)	-	-	-	-	-	586,059	-
Letters of credit and bank acceptances								
Stage 1	(61,328)	1,169	(37,221)	(23,108)	3,912	(56,417)	-	(116,576)
Stage 2	(222,652)	(1,169)	(109)	(67,377)	2,591	(64,895)	221,692	(67,024)
Stage 3	-	-	-	-	-	-	-	-
Guarantees								
Stage 1	(1,040,060)	82,240	(64,888)	(221,003)	9,440	(276,451)	-	(1,234,271)
Stage 2	(8,769)	(80,359)	(155,847)	(718,089)	6,527	(867,409)	(1,631)	(958,168)
Stage 3	-	(1,881)	(5,815)	467	-	(5,348)	-	(7,229)
Total	(1,918,868)	-	(263,880)	(1,029,110)	22,470	(1,270,520)	806,120	(2,383,268)

31.2 Reconciliation of lease liabilities

	Balance at 01 Jan 2020 UShs'000	Additions/ modification UShs'000	Terminations/ modifications and or Cancellations UShs'000	Interest Expense UShs'000	Payments UShs'000	Balance at31 Dec 2020 UShs'000
Buildings	**(10,968,144)**	**(1,928,908)**	**128,134**	**(1,094,377)**	**7,218,864**	**(6,644,431)**
Branches	**(13,097,264)**	**(5,936,654)**	**164,055**	**(1,467,036)**	**5,341,472**	**(14,995,427)**
ATM spaces and other	**(4,333,983)**	**(3,525,751)**	**31,975**	**(440,448)**	**2,563,627**	**(5,704,580)**
Total	**(28,399,391)**	**(11,391,313)**	**324,164**	**(3,001,861)**	**15,123,963**	**(27,344,438)**

	Balance at 01 Jan 2019 UShs'000	Additions/ modification UShs'000	Terminations/ modifications and or Cancellations UShs'000	Interest Expense UShs'000	Payments UShs'000	Balance at 31 Dec 2019 UShs'000
Buildings	(18,211,753)	(7,605,038)	7,967,424	(733,149)	7,614,372	(10,968,144)
Branches	(11,754,584)	(5,028,385)	-	(1,311,796)	4,997,501	(13,097,264)
ATM Spaces and others	(3,054,722)	(6,024,305)	2,508,815	(742,164)	2,978,393	(4,333,983)
Total	(33,021,059)	(18,657,728)	10,476,239	(2,787,109)	15,590,266	(28,399,391)

Staff cost provision

	2020 UShs' 000	2019 UShs' 000
Opening Balance	**33,392,259**	27,189,594
Less provision utilisation	**(35,164,844)**	(34,545,119)
Add: New provision made in the year	**35,854,821**	40,747,784
Closing Balance	**34,082,236**	33,392,259

32. Subordinated debt

		GROUP	
		Carrying value	Notional value
As at 31 December 2020	**Date of issue**	**UShs' 000**	**UShs' 000**
Subordinated loan facility - Standard Bank of South Africa	31 March 2016	**73,022,525**	**73,022,525**
		73,022,525	**73,022,525**
As at 31 December 2019			
Subordinated loan facility - Standard Bank of South Africa	31 March 2016	73,280,466	73,280,466
		73,280,466	73,280,466

Movement analysis

	2020 UShs' 000	2019 UShs' 000
As at 1 January	73,280,466	74,176,983
Interest expense	5,202,256	6,270,865
Interest paid	(5,205,736)	(6,272,827)
Foreign exchange differences	(254,461)	(894,555)
Net movement	**(257,941)**	(896,517)
As at 31 December	**73,022,525**	73,280,466

In 2016, the Group signed an unsecured 10 year term subordinated loan facility agreement with Standard Bank of South Africa (SBSA) as the lender which commenced on 31 March 2016 amounting to USD 20 million at a rate of libor plus 5.9%. The subordinated loan was sourced to supplement Group capital and diversify funding sources.

33. Dividends

The Directors resolved to recommend a dividend of UShs 1.86 per share (2019: UShs 2.15) totalling UShs 95.0bn (2019: UShs 110.0bn) at the Company's next annual general meeting. This resolution was based on the expectation of dividends to be paid to the Company by its main subsidiary, Stanbic Bank Uganda Limited (SBU).

The Bank sought BOU approval to pay the 2020 final dividend however this was declined. The Bank was advised to defer the dividend pay-out until 31 December 2021 subject to a re-assessment. The Bank dividend forms the pool of dividends to SUHL shareholders, therefore the SUHL Board of directors will not recommend payment of the final dividend for the year ended 31 December 2020 to the shareholders at the 2021 AGM which will be paid upon receipt of regulatory approval.

34. Off-balance sheet financial instruments, contingent liabilities and commitments

In common with other Banks, the Group conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other off-balance sheet financial instruments including forward contracts for the purchase and sale of foreign currencies, the nominal amounts for which are not reflected in the statement of financial position.

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Contingent liabilities		
Acceptances and letters of credit	**237,768,709**	140,655,170
Guarantees and performance bonds	**1,623,737,529**	1,567,358,047
	1,861,506,238	1,708,013,217
Commitments		
Commitments to extend credit	**1,433,445,628**	1,041,694,219
Currency forwards	**(169,968,833)**	(415,780,582)
Operating lease commitments	**1,263,476,795**	625,913,637
	3,124,983,033	2,333,926,854

Nature of contingent liabilities

An acceptance is an undertaking by a Bank to pay a bill of exchange drawn on a customer.The Group expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Group to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a Bank to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event of the customer's default. Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The Group may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

Pending litigation

The Group is a litigant in several other cases which arise from normal day to day Banking. The directors and management believe the Group has strong grounds for success in a majority of the cases and are confident that they should get a ruling in their favour and none of the cases individually or in aggregate would have a significant impact on the Group's operations.

The directors have carried out an assessment of all the cases outstanding as at 31 December 2020 and where considered necessary based on the merits of each case, a provision has been raised. In aggregate the total provisions raised amount to UShs 12.4bn (2019: UShs 10.2bn) and are reported within other liabilities (Note 31).

Litigation	GROUP	
	2020 UShs' 000	2019 UShs' 000
Opening balance 1 January	**10,244,081**	9,406,838
Add: New provisions made in the year	**5,776,074**	8,915,375
Less: Cases settled	**(1,891,842)**	(4,734,895)
Less: Adjustments in provisions	**(1,691,981)**	(3,343,237)
Closing Balance 31 December	**12,436,332**	10,244,081

Other Matters

In August 2017, the Uganda Revenue Authority (URA) wrote to the Uganda Bankers Association (UBA) indicating that the applicable stamp duty rate on performance bonds, indemnity bonds and guarantees is 1% of bond/guaranteed total value and not the fixed rate of UShs 10,000 that was being applied. This pronouncement created a potential liability on Stanbic Bank Uganda Limited ("The Bank" or "SBU") that the bank through the UBA legal committee has challenged in a matter that is still pending at the High Court.

Furthermore, URA on 25th March 2019, prior to the High Court hearing, sought to collect the stamp duty in connection with the above treatment. Through an interim order of injunction from High Court, the Bank restrained URA's enforcement of the tax liability and objected to the demand letter. URA in response maintained its objection decision, to which the Bank appealed to the Tax Appeals Tribunal (TAT) on 24th June 2019 and paid the mandatory 30% tax in dispute. The TAT process is still ongoing, however, the Bank based on the independent professional advice, expects that the ruling will be in it's favour.

35. Analysis of cash and cash equivalents as shown in the cash flow statement

	GROUP	
	2020 UShs' 000	2019 UShs' 000
Cash and balances with Bank of Uganda	**1,155,333,607**	1,123,942,143
Cash reserve requirement	**(456,990,000)**	(375,360,000)
Government securities maturing within 90 days	**713,304,636**	394,957,656
Placements with other banks	**684,044,697**	825,390,055
Amounts due from group companies	**354,851,853**	89,059,083
	2,450,544,793	2,057,988,937

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central banks, treasury bills and other eligible bills, and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Uganda. (See Note 16).

36. Related party transactions

Stanbic Uganda Holdings Limited (the Group) is 80% owned by Stanbic Africa Holdings Limited incorporated in United Kingdom. The ultimate parent and controlling party of the Group is Standard Bank Group Ltd, incorporated in South Africa. There are other companies which are related to Stanbic Uganda Holdings Limited through common shareholdings or common directorships. These include Standard Bank Isle of Man Limited, Standard Bank of South Africa, CfC Stanbic Bank Kenya Limited, Stanbic Bank Tanzania Limited, Stanbic Bank Botswana, Stanbic International Uganda Limited, Stanbic International Insurance Limited, Liberty Life Assurance Uganda Limited and Liberty General Insurance Uganda Limited. In the normal course of business, current accounts are operated and placings of foreign currencies are made with the parent company and other group companies at interest rates in line with the market.

Key management personnel has been defined as Stanbic Uganda Holdings Limited's board of directors and prescribed officers in the Group effective for 2020 and 2019. Non-executive directors are included in the definition of key management personnel as required by IFRS. The definition of key management includes the close family members of key management personnel and any entity over which key management exercises control or joint control. Close family members are those family members who may be expected to influence, or be influenced by, that person in their dealings with Stanbic Uganda Holdings Limited.

Related party transactions further breakdown

						GROUP		COMPANY
			2020			2019	2020	2019
			USh's' 000			USh's' 000	USh's' 000	USh's' 000
	Parent	Other	Total	Parent	Other	Total	Other	Other
Amounts due from group companies								
Placements and borrowings	13,026,311	340,142,944	353,169,255	82,590,405	4,111,824	86,702,229	154,995,286	35,491,352
Other assets	1,525,619	156,982	1,682,601	1,823,837	529,497	2,353,334	-	-
	14,551,930	340,299,926	354,851,856	84,414,242	4,641,321	89,055,563	154,995,286	35,491,352
Amounts due to group companies								
Deposits and current accounts	4,194,388	225,407,584	229,601,972	913,947	-	913,947	-	-
Divedends payable	-	79,200,000	79,200,000	-	-	-	-	-
Other liabilities	42,754,782	50,725	42,805,507	30,892,709	113,694	31,006,403	-	-
	46,949,170	304,658,310	351,607,479	31,806,656	113,694	31,920,350	-	-
Subordinated debt due to group companies (see note 32)	73,022,525	-	73,022,525	73,280,466	-	73,280,466	-	-
Derivative asset due from group companies (see note 27)	20,767,349	-	20,767,349	13,219,062	18	13,219,080	-	-
Derivative liabilities due to group companies (see note 27)	181,392,214	47,864	181,440,078	101,806,078	1	101,806,079	-	-
Income and expenses							-	-
Interest income earned	-	723,221	723,221	-	275,338	275,338	-	-
Interest expense paid	5,202,256	2,614,580	7,816,836	6,270,865	-	6,270,865	-	-
Trading Revenue	82,644,519	47,881	82,692,400	85,907,289	(277,261)	85,630,028	-	-
Commission	-	4,089,554	4,089,554	-	3,535,493	3,535,493	-	-
Operating expenses incurred	44,743,384	37,508	44,780,892	38,737,742	153,860	38,891,602	-	-

- Stanbic Uganda Holdings Limited has a joint venture agreement with Liberty Life Assurance Uganda Limited, Stanlib Uganda Limited and Liberty General Insurance Uganda Limited for which it receives a share of the profits derived from the Bancassurance business. The Group also acts as an agent and receives commission.
- Included in other assets is commission earned but not yet received from the Bancassurance business and joint venture profit share of UShs 4.1bn (2019: UShs 3.5bn).

Nature of the transactions with related parties

In the normal course of business, the Group performs the following transactions with its related parties:

- Current accounts operation and placement of foreign currencies
- IT services including procurement and maintenance of various banking systems like; Business Online (BOL)
- Payment of franchise and management fees to the parent company
- Money market borrowing and lending
- Hedging of transactions like interest rate swaps with various clients
- Loans or borrowings

Loans to key management and related parties for the year ended 31 December 2020

	2020 Aggregate amount outstanding UShs '000	Interest Rate	Status Performing or Non performing	Facility
Directors	1,363,376	7.5%-38%	Performing	Loans and advances
Non-Executive Directors	2,693,325	7.5%-38%	Performing	Loans and advances
Executive Officers	1,806,259	7.5%-38%	Performing	Loans and advances
	5,862,960			
Credit extensions to related companies				
Uganda Breweries Ltd	1,825,251	7.30%	Performing	Loans and advances
Credit extensions to individual affiliates	523,404	18%-19.5%	Performing	Loans and advances
Total	8,211,615			

No specific impairment has been recognised in respect of loans advanced to related parties (2019: nil).

Deposits with key management and related parties for the year ended 31 December 2020

Names of related Party	2020 Aggregate amount outstanding UShs '000	Facility
Directors	4,984,037	Deposit
Executive Officers	6,432,943	Deposit
Credit extensions to related companies		
Uganda Breweries Ltd	6,422,080	Deposit
Total	17,839,060	

Loans to key management and related parties for the year ended 31 December 2019

Names of Insider borrowers including related interests	2019 Aggregate amount outstanding UShs '000	Interest Rate	Status Performing or Non performing	Facility
Directors	2,800,063	7.5%-38%	Performing	Loans and advances
Executive Officers	2,680,079	7.5%-38%	Performing	Loans and advances
	5,480,142			
Credit extensions to related companies				
Uganda Breweries Ltd	5,494,837	7.30%	Performing	Loans and advances
Credit extensions to individual affiliates	17,779	18%-19.5%	Performing	Loans and advances
Total	10,992,758			

No specific impairment has been recognised in respect of loans advanced to related parties (2019: nil).

Deposits with key management and related parties for the year ended 31 December 2019

Names of related Party	2019 Aggregate amount outstanding UShs '000	Facility
Directors	388,657	Deposit
Executive Officers	333,263	Deposit
Credit extensions to related companies		
Uganda Breweries Ltd	6,963,537	Deposit
Total	7,685,457	

Companies affiliated to directors and key management are Uganda Breweries Ltd (2019; Uganda Breweries Ltd and Impala Heights Ltd).

Loans granted to non-executive directors and their affiliates are granted at commercial rates while those granted to executive directors and executives are: Mortgage – 50% of prime rate, staff miscellaneous and car loans – 75% of prime rate, study loans – 0%.

Interest income	2020 USh's' 000	2019 UShs' 000
Interest income from loans with key management	234,304	230,095

	2020 UShs' 000	2019 UShs' 000
Key management compensation		
Salaries and other short term employment benefits	11,165,537	12,059,090
Post employment benefits	1,666,953	2,342,803
	12,832,490	14,401,893
Directors' remuneration		
Directors' fees	927,174	470,895
Other emoluments included in key management compensation	5,290,088	7,942,616
	6,217,262	8,413,511

37. Equity linked transactions

Standard Bank Group (SBG) has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the SBG share price at the date the option is granted. The Equity Growth Scheme was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights. The two schemes have five different sub-types of vesting categories as illustrated by the table below:

Equity compensation plans

Standard Bank Group (SBG) has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the SBG share price at the date the option is granted. The Equity Growth Scheme was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights.
The two schemes have five different sub-types of vesting categories as illustrated by the table below:

	Year	% vesting	Expiry
Type A	3, 4, 5	50, 75, 100	10 Years
Type B	5, 6, 7	50, 75, 100	10 Years
Type C	2, 3, 4	50, 75, 100	10 Years
Type D	2, 3, 4	33, 67, 100	10 Years
Type E	3, 4, 5	33, 67, 100	10 Years

A reconciliation of the movement of share options and appreciation rights is detailed below:

Group Share Incentive Scheme	Option price range (ZAR) 31-Dec-19	Number of options 31-Dec-20	31-Dec-19
Options outstanding at beginning of the period		5,250	24,000
Transfers			
Lapsed			
Exercised	111.94	(875)	(18,750)
Options outstanding at end of the period		4,375	5,250

Share options were exercised regularly throughout the year. The weighted average share price for the year was ZAR 116.16 (December 2019: ZAR 183.51).

The following options granted to employees had not been exercised at 31 December 2020:

Number of ordinary shares	Option price range range (ZAR)	Weighted average price (ZAR)	Option expiry period
4,375	98.8	98.8	Year to 31 December 2021
4,375			

The following options granted to employees had not been exercised at 31 December 2019:

Number of ordinary shares	Option price range range (ZAR)	Weighted average price (ZAR)	Option expiry period
875	111.94	111.94	Year to 31 December 2020
4,375	98.8	98.8	Year to 31 December 2021
5,250			

Equity Growth Scheme	Appreciation right price range (ZAR) 31-Dec-20	Number of rights 31-Dec-20	31-Dec-19
Rights outstanding at the beginning of the year		49 501	64,099
Transfers			11,500
Granted			
Exercised	111.94	(5,000)	(26,098)
Rights outstanding at the end of the year		**44,501**	**49,501**

At 31 December 2020 the group would need to issue 1,654 (2019: 8,264). SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees had not been exercised at 31 December 2020:

Number of rights	Price range (ZAR)	Weighted average price (ZAR)	Expiry period
6,250	126.87	126.87	Year to 31 December 2021
31,339	156.96	156.96	Year to 31 December 2025
6,912	122.24	122.24	Year to 31 December 2026
44,501			

The following rights granted to employees had not been exercised at 31 December 2019:

Number of rights	Price range (ZAR)	Weighted average price (ZAR)	Expiry period
5,000	111.94	111.94	Year to 31 December 2020
6,250	126.87	126.87	Year to 31 December 2021
31,339	156.96	156.96	Year to 31 December 2025
6,912	122.24	122.24	Year to 31 December 2026
49,501			

38. Investment in subsidiaries

COMPANY	Beneficial ownership	Country of Incorporation	2020 UShs'000	2019 UShs'000
Stanbic Bank Uganda Limited	100%	Uganda	881,068,551	881,068,551
FLYHUB Uganda Limited	100%	Uganda	10,000,000	-
Stanbic Properties Limited	100%	Uganda	2,335,938	-
Stanbic Business Incubator Limited	100%	Uganda	100,000	-
			893,504,489	881,068,551

FLYHUB Uganda Limited

FLYHUB Uganda Limited ("FLYHUB") was incorporated on 8th October 2020. FLYHUB is a Fintech company that provides financial technology and innovative services as part of the group's digital transformation journey. The principal place of business for FLYHUB is Plot 5, Lower Kololo Terrace, Kampala, Uganda. PO Box 7131

Stanbic Business Incubator Limited

Stanbic Business Incubator Limited ("SBIL") is a company limited by guarantee, incorporated on 18th May 2020 and commenced its activities as a separate entity on 1st June 2020. SBIL was set up as part of the reorganization process to continue training SME's in Uganda by equipping them with best business practices in management, record keeping, marketing and finance to address the challenge of short life spans of SME's in the economy. Stanbic Bank Uganda Limited started this initiative in 2018 before the reorganisation with the Business incubator operating as a unit under Business Banking. The principal place of business for SBIL is Plot 5, Lower Kololo Terrace, Kampala, Uganda. PO Box 7131.

Stanbic Bank Uganda Limited

Stanbic Bank Uganda Limited (SBU) is a licensed financial institution under the Financial Institutions Act and is a member of the Uganda Bankers Association. The Bank is engaged in the business of commercial banking and the provision of related banking services. The principal place of business for SBU is Plot 17 Hannington Road, Short Tower - Crested Towers, Kampala, Uganda. PO Box 7131

Stanbic Properties Limited

Stanbic Properties Limited ("SPL") was incorporated on 5th February 2020 and started business operations on 1st May 2020. SPL holds and manages the real estate portfolio of the Group. Other Services offered to clients include; Valuation services, site acquisition, property consultancy and execution of real estate projects. The principal place of business for SPL is Plot 17 Hannington Road, Tall Tower - Crested Towers, Mezzanine Floor, Kampala, Uganda. PO Box 7131.

SBG Securities Uganda Limited

SBG Securities Uganda Limited was incorporated and registered by the registrar of Companies in Uganda as a private limited liability company on 6 November 2020. SBG Securities Uganda Limited was established to acquire the business of SBG Securities Limited (Uganda Branch) and carry out other securities business in Uganda.

39. Retained earnings

This comprises prior period retained profits, plus profit for the year (less)/plus appropriation of statutory risk reserve less proposed dividends.

40. Subsequent events

There were no significant subsequent events to report.

List of acronyms

AGM	Annual General Meeting
AFS	Annual Financial Statements
ALCO	Asset and Liability Committee
ALM	Assets and Liability Management
ATM	Automated Teller Machines
BCP	Business Continuity Plan
BCM	Business Continuity Management
BIS	Bank for International Settlements
BNA	Bulk Note Acceptor
BOD	Board of Directors
BOL	New Business Online
BOU	Bank of Uganda
CAR	Capital Adequacy Ratio
CBR	Central Bank Rate
CBS	Core Banking System
CCR	counterparty credit risk
CDM	Cash Deposit Machine
CGU	Cash Generating Unit
CIB	Corporate and Investment Banking
CSA	Credit Support Annexure
CSP	Customer Service Point
CSI	Corporate Social Investment
CTI	Cost to Income Ratio
CSR	Corporate Social Responsibility
EAD	Exposure at Default
EAR	Earnings at Risk
ECL	Expected Credit Loss
EIR	Effective Interest Rate
ERM	Enterprise Risk Management
EUR	Euro
FCY	Foreign currency
FDI	Foreign Direct Investments
FIA	Financial Institutions Act
FID	Final Investment Decision
FLI	Forward-looking information
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit and Loss
FXT	Fixed
GBP	British Pound
GDP	Gross Domestic Purchases
GoU	Government of Uganda
H2	2nd Half
HC	Human Capital
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBOR	interbank offered rates
IC	Intellectual Capital
ICPAU	Institute of Certified Public Accountants of Uganda
ICT	Information and Communication Technology
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIS	Interest In Suspense
IRB	Internal Ratings-Based approach
IRT	Interest rate
ISDA	International Swaps and Derivatives Association
KPMG	Klynveld Peat Marwick Goerdeler
KYC	Know Your Customer
LCS	Letters of Credit
LCY	Local currency
L and D	Learning and Development
LGD	Loss Given Default
LPO	Local Purchase Order
MFC	Manufactured Capital
MPC	Monitory Policy Committee
MTM	Mark to Market
NC	Natural Capital
NII	Net Interest Income
NIM	Net Interest Margin
NPS	Net Promoter Score
OCI	Other Comprehensive Income
OSH	Occupational Safety and Health
PAT	Profit After Tax
PAYE	Pay As You Earn
PBB	Personal and Business Banking
PBT	Profit Before Income Tax
PD	Probability of Default
PFE	Potential future exposure
PWOR	Post write off recoveries
REPO	Repurchase Loan Agreement
RET	Regrettable Employee Turnover rate
ROA	Return on Assets
ROE	Return on Equity
RSL	Interest Rate Sensitive Liabilities
SBG	Standard Bank Group
SBHL	Stanbic Bank Holdings Limited
SBSA	Standard Bank of South Africa
SBU	Stanbic Bank Uganda
SBUL	Stanbic Bank Uganda Limited
SICR	Significant increase in credit risk
SOFP	Statement of Financial Position
SRC	Social and Relational Capital
SEE	Social Economic Environmental
TAT	Tax Appeals Tribunal
TBILL	Treasury Bill
TCM	Treasury and Capital Management
UBA	Uganda Bankers Association
UCBL	Uganda Commercial Bank Limited
UGX	Uganda Shillings
URA	Uganda Revenue Authority
USD	United States Dollar
USE	Uganda Securities Exchange
UShs	Uganda Shillings
VAF	Vehicle and Asset Finance
VAR	Value at Risk
VAT	Value Added Tax
WEF	With Effect From
ZAR	Zuid Afrikaanse Rand (South African Rand)

Financial definitions

COMPOUND ANNUAL GROWTH RATE - CAGR	The average year-on-year growth rate of an investment over several years.
PROFIT FOR THE YEAR (UShs)	Annual Income statement profit attributable to ordinary shareholders stated in Uganda Shillings.
EARNINGS PER SHARE (UShs) - EPS	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue stated in Uganda Shillings..
RETURN ON AVERAGE EQUITY (%) - ROE	Earnings as a percentage of average ordinary shareholders' funds.
RETURN ON AVERAGE ASSETS (%) - ROA	Earnings as a percentage of average total assets.
NET INTEREST MARGIN (%) - NIM	Net interest income as a percentage of average total assets.
CREDIT LOSS RATIO (%)	Provision for credit losses per the Statement of Comprehensive Income as a percentage of gross loans and advances.
COST-TO-INCOME RATIO (%)	Total operating expenses as a percentage of total income before deducting the provision for credit losses.
EFFECTIVE TAX RATE (%)	The income tax charge as a percentage of income before tax, excluding income from associates.
DIVIDEND PER SHARE (UShs)	Total ordinary dividends declared per share with respect to the year.
DIVIDEND COVER (TIMES)	Earnings per share divided by total dividends per share.
PRICE EARNINGS RATIO (%)	Closing share price divided by earnings per share.
DIVIDENDS YIELD (%)	Dividends per share as a percentage of the closing share price.
CORE CAPITAL	Permanent shareholder's equity in the form of issued and fully paid-up shares plus all disclosed reserves, less goodwill or any intangible assets.
SUPPLEMENTARY CAPITAL	General provisions which are held against future and current unidentified losses that are freely available to meet losses which subsequently materialize, and revaluation reserves on banking premises, and any other form of capital as may be determined from time to time, by the Central Bank.
TOTAL CAPITAL	The sum of core capital and supplementary capital.
TOTAL CAPITAL ADEQUACY	Total capital divided by the sum of total risk weighted assets and total risk weighted contingent claims.
CREDIT IMPAIRMENT CHARGE (SHS)	The amount by which the period profits are reduced to cater for the effect of credit impairment.
LENDING RATIO	Net loans and advances divided by total deposits.
PERCENTAGE CHANGE IN CREDIT LOSS RATIO (%)	Ratio of change in the rate of credit loss impairment between time periods.
PERCENTAGE CHANGE IN THE IMPAIRMENT CHARGE (%)	Ratio of change in the rate of impairment charge between time periods.
SOFP CREDIT IMPAIRMENT AS A % OF GROSS LOANS AND ADVANCES (%)	Ratio of the Statement of Financial Position credit impairment to gross loans and advances.

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