



MANAGING DIRECTOR'S MESSAGE

I would like to convey my heartfelt gratitude to our valued clients, stakeholders, Board, and Management for their continued support throughout the years. Despite the notable economic hurdles in 2022, it was also a critical year for our progress. I am delighted to provide a summary of our 2022 accomplishments and outline our shared path forward.

Our dedication to promoting the nation's economic growth remained unwavering, and we executed major initiatives that made a significant impact, particularly in the vital sectors of education, construction, and trade.

Arthur ISIKO

Managing Director, Bank of Africa - Uganda Ltd.

2022 PERFORMANCE HIGHLIGHTS

The Bank's earnings performance improved, with net interest income rising by 16% due to growth in loans and advances and government securities. Non-interest income also increased by 10% due to a rise in contract financing activity. However, there was a significant five-fold increase in impairment charges due to the deterioration of some exposures in sectors affected by Covid-19. Operating expenses also rose by 13%, mainly due to inflationary pressures, increased marketing costs, and expenses related to information and communication technology upgrades to support the bank's digital strategy. Nevertheless, the bank's net earnings increased by 6% to 29.3 billion.

The balance sheet showed a 14% increase in loans and advances, driven by a 28% growth in the SME segment and a 13% growth in the corporate segment. Customer deposits also grew by 13%. Despite this growth, the bank complied with the Central Bank of Uganda's revised minimum paid-up capital requirement through a bonus issue, thanks to accumulated retained earnings. The bank's contingent liabilities also grew by 53% due to increased participation in contract and international trade financing activities.

The bank is appropriately capitalized, well within regulatory and stressed capital requirements, but asset quality deteriorated due to changes in customer behavior, economic events, and force majeure. The bank is pursuing recovery efforts on the delinquent book. Liquidity levels were adequate and above regulatory minimum levels.

Looking ahead, the bank remains cautiously optimistic about the future, with a strong financial position, robust risk management framework, and talented workforce. The focus is on sustainable growth and providing excellent service to customers while managing risks and maintaining a strong capital position.

BOA PAY, THE CONVENIENT PAYMENT SOLUTION

Over the past year, the Bank has heavily invested in digital transformation, which has resulted in the introduction of a new digital payment solution called BOA Pay. This solution has been added to our Mobile Wallet bouquet, providing increased convenience to our customers, and enhancing their overall experience as they pay for goods and services at our partner merchant locations, using the Mobile Wallet application or USSD on *246*7# at no cost to the merchant or customer.

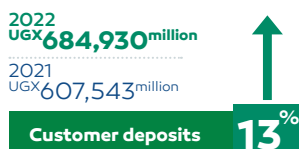
Our strategic formula is centered around enhancing the customer's experience. We are continually investing in enhancing our digital platform offerings and seeking to advance customer-focused innovations. BOA Pay is one of the innovations that reinforces our commitment to this goal.

WE LOOK FORWARD TO GROWING WITH YOU IN 2023

As a financial institution, we acknowledge the crucial role we play in the sector and are committed to standing with all Ugandans. We pledge to provide advice and services, facilitate economic growth, and offer continuous support to local communities to thrive.

With a robust balance sheet, deep customer relationships, and a strong brand, we enter 2023 with excitement, ready to embark on a year of growth, innovation, and service. We look forward to thriving and growing with our valued customers and partners.

We are grateful for your continued support, and we remain committed to delivering excellent financial solutions to meet your needs.



SUSTAINABILITY HIGHLIGHTS 2022

The Bank places high importance on sustainability and is fully committed to achieving our environmental, social, and governance (ESG) objectives. Our sustainability strategy revolves around six commitments that serve as guiding principles for our practices and growth model:



Business ethics and responsible customer relationships

To comply with regulatory changes and audit issues related to anti-money laundering, counter-terrorism financing, and combatting corruption, our Compliance team took necessary actions supported by training sessions held for both staff and the Bank's Board on AML-CFT, information security, and fraud risk management. Satisfaction surveys were also conducted to gather client feedback.

Furthermore, we are proud to announce that the Bank has been recognized for its excellent customer service/solutions in East Africa. We were awarded the platinum prize at the 2021/22 East Africa Brand Quality Awards for the best end-to-end customer service/solutions, and a gold prize in the Commercial and Development Bank category for the 2020/21 Consumer Choice Awards.



Sustainable finance

The Bank increased its support to micro, small, and medium enterprises (MSMEs) by introducing a wide range of value propositions tailored to the specific needs of different economic segments. This support included providing free training and development programs for business management and managing borrowing. The Bank held various forums for several small business owners, especially in the education sector as a training medium for equipping them on business solutions.

We are thrilled to announce that the Bank has been awarded the best commercial finance and banking institution in East Africa for the year 2022/23 under the East Africa Brand Quality Awards. In December 2022, the Bank received a special recognition award from the National Water and Sewerage Corporation for being the pioneering banking partner in e-water transaction processing and its commitment to Uganda's water service delivery management since 2010.



Arthur ISIKO, the Managing Director during one of the free capacity building trainings held by the bank discussing business management and the management of borrowing. 21 free trainings were held with over 1600 small business owners in attendance.



Responsible employer

The Bank considers human capital a vital aspect of its business model and a key pillar of its development strategy. Throughout 2022, the Bank maintained an average headcount of 370 employees, who had an average tenure of 7 years with the Bank. To ensure gender parity, the Bank had more than 50% female employees, and over 15% of them held management and senior management positions. In terms of training, over 80% of staff members benefited from at least one training course, with an average of 30 hours of training per employee. The Bank offers its employees a fair and transparent remuneration package that is based on their performance and contribution to the Bank's results. Furthermore, the Bank is committed to recruiting recent graduates and welcomed over 30 graduate trainees in 2022. The Bank organized several employee engagement activities to foster a positive work environment, boost employee morale and well-being, and ultimately drive business success.



Governance and risk management

Effective governance requires a strong system that safeguards the interests of stakeholders. The Bank recognizes the importance of a clear distinction between the roles of the Board and management. The Board oversees the Bank through committees, and 80% of its members are non-executive, with half being independent prior to recent governance regulation changes. Management, on the other hand, has three lines of defence for oversight: operational management and control activities, risk management and compliance functions, and internal audit function. These three lines of defence work together to create a comprehensive risk management framework and ensure effective governance.



Protecting the environment

The Bank demonstrated its commitment to managing its environmental impact by implementing several initiatives. These included the automation of processes, which minimized paper waste, increased use of virtual meetings to reduce carbon footprint resulting from business travel, and the replacement of office light fittings with energy-efficient alternatives. To promote sustainable construction, over 95% of the Bank's locations had access provisions for people with reduced mobility, and low-flow faucets were installed to optimize water consumption. In observance of the 2022 World Environment Day theme of "Only One Earth," the Bank collaborated with Tree Adoption Uganda to plant over 2,000 trees of various species in three locations across the country.



Tree planting by Bank staff



Community interest and stakeholder dialogue

The Bank demonstrated its commitment to social responsibility by providing direct support to various community events. To improve the learning environment in the education sector, the Bank participated in school facilities renovations, sponsored clean water and sanitation amenities to over 45 schools throughout the country. The Bank also awarded secondary school tuition scholarships to high-performing students from low-income families and extended its social responsibility to several vulnerable communities in different regions of the country.



Bank staff handing over different items to selected schools



Food and basic needs donations in various locations across the country

RECOGNITIONS



Platinum winner for the year 2021/22 East Africa Brand Quality Awards under the category – best end to end customer service/solutions in East Africa.



Gold winner for the 2020/21 Consumer Choice awards in the Commercial and Development Bank category.



Special recognition award from the National Water and Sewerage Corporation for being the pioneer banking partner in e-water transaction processing and commitment to Uganda's water service delivery management since 2010.



Best commercial finance and banking institution in East Africa for the year 2022/23 under the East Africa Brand Quality Awards

OTHER DEVELOPMENTS

Following the approval by the Board, the Bank acquired premises for the new Head Office located at Plot 23 Lugogo Bypass Kampala.



New Head office at Plot 23 Lugogo Bypass Kampala

I REPORT OF THE INDEPENDENT AUDITOR ON THE PUBLISHED SUMMARY FINANCIAL STATEMENTS OF BANK OF AFRICA - UGANDA LTD.

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2022, the summary statement of comprehensive income, for the year then ended, and related notes, are derived from the audited financial statements of Bank of Africa - Uganda Ltd. for the year ended 31 December 2022.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements in accordance with the Financial Institutions (External Auditors) Regulations, 2010.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards, the requirements of the Companies Act, 2012 of Uganda, the Financial Institutions Act, 2004 (as amended) and Financial Institutions Regulations of Uganda. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 28 April 2023. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with the Financial Institutions (External Auditors) Regulations, 2010.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Ernst & Young

Certified Public Accountants
EY House
Plot 18, Clement Hill Road
Shimoni Office Village
P.O. Box 7215, Kampala, Uganda
Date: 28 April 2023

II SUMMARY STATEMENT OF FINANCIAL POSITION

	2022	2021
	Shs M	Shs M
Assets		
Cash and balances with Bank of Uganda	130,096	157,052
Amounts due from banking institutions	16,313	69,095
Amounts due from group companies	60,854	29,399
Government securities	318,599	271,124
Loans and advances to customers	468,175	410,001
Other assets	11,595	12,534
Property, equipment, and right-of-use assets	53,573	25,541
Intangible assets	4,363	3,636
Deferred tax asset	10,072	13,880
Total assets	1,073,640	992,262
Liabilities and Shareholders' equity		
Customer deposits	684,930	607,543
Amounts due to banking institutions	40,571	37,418
Amounts due to group companies	129,834	126,536
Other borrowings	190	269
Current income tax liability	1,851	1,757
Other liabilities	39,713	54,102
Total liabilities	897,089	827,625
Share capital	150,000	46,775
Share premium	-	23,614
Proposed dividends	10,500	15,903
Statutory credit risk reserve	1,341	-
Retained earnings	14,710	78,345
Total shareholders' equity	176,551	164,637
Total liabilities and shareholders' equity	1,073,640	992,262

III SUMMARY STATEMENT OF COMPREHENSIVE INCOME

	2022	2021
	Shs M	Shs M
Income		
Interest on loans and advances	62,505	55,304
Interest on government securities	34,899	27,637
Interest on amounts due from financial institutions	3,264	3,653
Net trading income	13,137	16,504
Fees and commissions income	27,217	23,938
Other income	6,777	1,023
Total income	147,799	128,059
Expenditure		
Interest on customer deposits	12,685	12,781
Interest on amounts due to financial institutions	5,742	2,565
Interest on lease liabilities	534	908
Expected credit loss on financial assets	6,644	1,221
Modification loss on restructured loans and advances	1,572	3,676
Fees and commission expense	10,184	7,947
Management fees	3,354	791
Employee benefits expense	33,135	32,333
Depreciation and amortisation	7,739	7,789
Other operating expenses	25,337	20,869
Total expenditure	106,926	90,880
Net profit before tax	40,873	37,179
Taxation	(11,556)	(9,439)
Net profit after tax	29,317	27,740

IV OTHER DISCLOSURES

	2022	2021
	Shs M	Shs M
Contingent liabilities		
Letters of credit	31,949	24,830
Guarantees and performance bonds	259,245	159,954
Total	291,194	184,784
Commitments		
Undrawn stand-by facilities	9,054	11,981
Non-performing loans and other assets	51,134	5,282
Interest in suspense	1,350	90
Bad debts written off	2,953	1,733
Large loan exposures	392,481	301,799
Insider loan exposures	1,290	546
Capital position		
Core capital	150,275	131,218
Supplementary capital	4,859	4,339
Total qualifying capital	155,134	135,557
Total risk weighted assets (RWA)	730,537	595,345
Core capital to RWA	20.6%	22.0%
Total qualifying capital to RWA	21.2%	22.8%

Notes to the summary financial statements of Bank of Africa - Uganda Ltd.

The summary financial statements are extracted from the audited financial statements in accordance with the Financial Institutions (External Auditors) Regulations, 2010.

V MESSAGE FROM THE DIRECTORS

The statement of financial position and statement of comprehensive income were audited by Ernst & Young and received an unmodified opinion. The financial statements were approved by the Board of Directors on 31 March 2023 and discussed with Bank of Uganda on 24 April 2023.

Chairman Managing Director Executive Director Company Secretary

VI TRENDS

