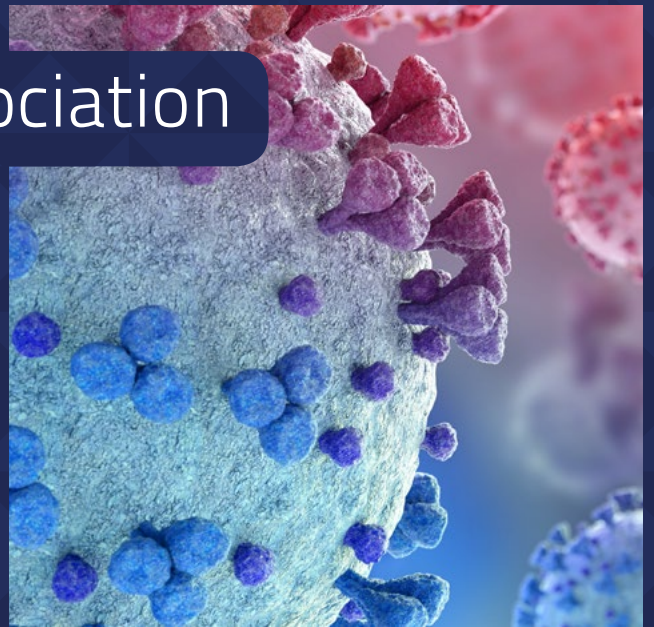


Uganda Bankers' Association

Annual Report

2020



Uganda Bankers' Association

Annual
Report



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Uganda Bankers' Association (UBA) is a membership based organization for financial institutions licensed and supervised by Bank of Uganda. Established in 1981, UBA is currently made up of 25 commercial banks, 2 development Banks (Uganda Development Bank and East African Development Bank) and 9 Tier 2 & Tier 3 Financial Institutions (FINCA, Pride Microfinance Limited, Post Bank, Top Finance , Yako Microfinance, UGAFODE, EFC, Brac Uganda Bank and Mercantile Credit Bank).

The UBA's mandate is to;



- Promote and represent the interests of the member banks,
- Develop and maintain a code of ethics and best banking practices among its membership.
- Encourage & undertake high quality policy development initiatives and research on the banking sector, including trends, key issues & drivers impacting on or influencing the industry and national development processes therein through partnerships in banking & finance, in collaboration with other agencies (local, regional, international including academia) and research networks to generate new and original policy insights.
- Develop and deliver advocacy strategies to influence relevant stakeholders and achieve policy changes at industry and national level.
- Work closely with the regulator Bank of Uganda (BOU), other non-bank financial institutions & organizations in promoting financial sector growth through training, development of products, technologies & initiatives.

The above UBA mandate was reinforced in 2019 when the Association launched its new brand and ambition statement: Promoting Partnerships. Transforming Banking

As the umbrella body of the institutions licensed and regulated by Bank of Uganda. UBA continues to enhance its position as the voice of banking and an innovative leader within the financial services sector by championing initiatives aimed at growth of the industry and the Ugandan economy as a whole.

UBA Core Values



Integrity, Transparency, Professionalism, Good Governance, Teamwork and Service Excellence.



UBA Vision

A strong vibrant and respected financial services industry in the East African region



UBA Mission

To promote a sound banking environment through research and innovation, advocacy, good governance and best practices





UBA Structure and Governance

UBA is an association of 36 Supervised Financial Institutions that constitute its membership and are represented by the Chief Executive Officers.

The UBA Apex Governance body, currently Chaired by Mr. Mathias Katamba, is made up of the member bank CEOs with an Executive Committee of seven (7) members.

The UBA Secretariat has a full-time staff comprising seven (7) employees who manage the day to day operations under the leadership of the Executive Director.

UBA activities are managed by the secretariat which works in consultation with the following committees;

1. Clearing House Committee
2. Operations Committee
3. Credit Reference Bureau Committee
4. Frauds and Forgeries Committee
5. Compliance Committee
6. Legal Committee
7. Treasurers' forum Committee
8. Credit Committee
9. Cyber Security Committee
10. Chief Financial Officers' (CFO) Forum Committee
11. Digital Financial Services Committee
12. Security Committee
13. Human Resource Committee
14. Risk Committee
15. Bancassurance Committee

UBA Members as at 31st December 2020

In 2020, UBA welcomed three (3) additional members, EFC Uganda Limited, a microfinance deposit-taking institution (MDI) admitted under the associate category, NCBA Bank, a commercial bank with an asset base of shs 548b as at March 31, 2020, that was created from the merger of Commercial Bank for Africa & NC Bank and Afriland First Bank, a new institution in Uganda's banking sector. UBA is proud of the leadership and involvement that each of the members continually accords to the Association.



From your right; Mark Muyobo, Executive Director Corporate Banking & Structured Solutions, Anthony Ndegwa, Managing Director & C.E.O and Sam Ntulume; Executive Director Finance and Strategy.

1. ABC Capital Bank Ltd
2. Absa Bank
3. Afriland First Bank
4. Bank of Africa Uganda Ltd
5. Bank of Baroda
6. Bank of India
7. Cairo Bank Uganda Limited
8. Centenary Bank
9. Citibank
10. NCBA Uganda Limited
11. DFCU Bank
12. Diamond Trust Bank
13. East African Development Bank
14. Ecobank
15. Equity Bank
16. Exim Bank
17. Finance Trust Bank
18. Guaranty Trust Bank
19. Housing Finance Bank
20. KCB Bank Uganda Limited

21. Opportunity Bank
22. Orient Bank
23. Stanbic Bank
24. Standard Chartered Bank
25. Tropical Bank
26. Uganda Development Bank
27. United Bank for Africa Uganda Ltd

UBA Associate Members

28. Pride Microfinance Uganda Limited
29. UGAFODE
30. FINCA Uganda
31. Post Bank Uganda Limited
32. Yako Microfinance
33. Mercantile Credit Bank
34. Top Finance Bank
35. Brac Uganda Bank
36. EFC Uganda Limited

UBA Member Bank CEOs



**Mr. Mumba
Kalifungwa**
CEO Absa Bank
(U) LTD



Mr. Jesse Timbwa
CEO, ABC Capital Bank



Mr. Arthur Isiko
CEO Bank Of Africa



Mr. Ray Kumar Meena
CEO, Bank Of Baroda
(U) LTD



Mr. Vikash Krishna
CEO Bank Of India



**Mr. Ahmad
Maher Nada**
CEO Cairo Bank (U) LTD



Mr. Fabian Kasi
CEO Centenary Bank



Ms. Sarah Arapta
CEO Citibank (U) LTD

UBA Member Bank CEOs



Mr. Anthony Ndegwa
CEO NCBA Bank



Mr. Mathias Katamba
CEO dfcu Bank



Mr. Varghese Thambi
CEO Diamond Trust Bank



Ms. Vivienne A. Yeda Apopo,
Director General
East African Development Bank (EADB)



Mrs. Annette Kihuguru
CEO Ecobank (U) Ltd



Mr. Samuel Kirubi
CEO EQUITY Bank (U) LTD



Mr. Sabhpathy T. Krishnan
CEO EXIM Bank (U) LTD



Mr. Michael Mande,
Ag. Managing Director
Top Finance Bank



Mr. Michael Mugabi
CEO Housing Finance Bank

UBA Member Bank CEOs



Mr. Olalekan Sanusi
CEO Guaranty Trust
Bank (U) LTD



Mr. Edgar Byamah
CEO KCB Bank
(U) LTD



**Mr. Robert
Ongodia**
CEO Opportunity
Bank (U) LTD



**Mr. Kumaran
Pather**
Managing Director
Orient Bank



Ms. Anne Juuko
CEO Stanbic
Bank
(U) LTD



Mr. Albert Saltson
CEO Standard
Chartered Bank
(U) LTD



**Mr. Abdulaziz
Mansur**
CEO Tropical
Bank (U) LTD



**Mrs. Patricia
Ojangole**
CEO Uganda
Development Bank



Mrs. Chioma .A. Mang
CEO United Bank for
Africa (Uganda)

UBA Member Bank CEOs



Mrs. Annet Nakawunde Mulindwa
CEO Finance Trust Bank



Mr. Shafi Nambobi
CEO UGAFODE
Microfinance
Limited



Ms. Veronicah Gladys Namagembe
CEO Pride Microfinance
(U) LTD



Mr. Julius Kakeeto
CEO Post Bank
Uganda



Mr. James Onyutta
CEO FINCA
(U) LTD



Mr. Paul Senyomo
CEO Mercantile
Credit Bank (U) LTD



Mr. Shalendra Kundra
CEO Yako Bank Uganda
Limited



Mr. Jimmy Adiga
CEO BRAC Bank
Limited Uganda



Mr. Shem Kakembo
CEO EFC Uganda
Limited

UBA Executive Committee 2020-2021



Mr. Mathias Katamba
Chairman
CEO, dfcu Bank



Ms. Sarah Arapta
Vice Chair
CEO, Citibank



Mr. Sam Ntulume
Hon Auditor
ED, Finance & Strategy,
NCBA Bank



Mr. Varghese Thambi
Hon. Treasurer
CEO, Diamond
Trust Bank



Mr. Albert Saltson
Committee Member
CEO, Standard
Chartered Bank



**Ms. Veronica Gladys
Namagembe**
Committee Member
CEO, Pride Microfinance
(MDI) Uganda Ltd



**Mr. Wilbrod
Humphreys Owor**
Executive Director
Uganda Bankers
Association

UBA Secretariat Management Team



**Wilbrod
Humphreys Owor**
Executive Director



**Eva Ssewagudde
Jjagwe**
Director Strategy and
Innovation



Patricia Amito
Head Communications
& Corporate Affairs



David Juuko
Head Finance and
Administration



Noelle Nangira
Legal Officer



Solomon Ichumar
Administration Manager

UBA Committee Representatives 2020

Committee

Bancassurance Committee	Chair: Orient Bank (Mr. Christopher Sengendo)
CFO Forum Committee	Chair: Housing Finance Bank (Mr. Medad Mwesigwa) Vice Chair: Standard Chartered Bank (Mr. Kelvin Musana)
Clearing House	Chair: Centenary Bank (Ms. Rose Namutebi Lukwago) Vice Chair: Equity Bank (Ms. Enid Katusiime)
Frauds and Forgeries	Chair: Diamond Trust Bank (Mr. Benjamin Balinda) Vice Chair: KCB Bank (Mr. Francis Yiga)
Compliance	Chair: Eco Bank (Ms.Patricia Omallah) Vice Chair: DFCU (Mr.Abdu Victor Nabongho)
Credit	Chair: Equity Bank (Mr. Jimmy Mwangangi) Vice Chair: Finance Trust Bank (Mr. Ali Lwanga)
Credit Reference Bureau	Chair: Standard Chartered Bank (Ms. Aidah Kawuma) Vice Chair: Pride Microfinance Uganda Limited (Ms. Leila Najjuuko)
Digital Financial Services (DFS)	Ag. Chair: Orient Bank (Ms. Elizabeth Damalie) Vice Chair: Centenary Bank (Ms. Edith Kababure)
Frauds and Forgeries	Chair: Diamond Trust Bank (Mr. Benjamin Balinda) Vice Chair: KCB Bank (Mr. Francis Yiga)

UBA Committee Representatives 2020

Committee	
Human Resource Committee	Chair: Orient Bank (Ms. Martha Akatukunda)
	Vice Chair: Bank of Africa (Mr. Dennis Mugisha)
ICT & Cyber Security	Chair: Stanbic Bank (Mr. Herbert Olowo)
	Vice Chair: Bank of Africa (Mr. Francis Musinguzi)
Legal	Chair: Standard Chartered Bank (Ms. Dorothy Ochola)
	Vice Chair: Finca Uganda Ltd (Ms. Claire Akampulira)
Operations	Chair: Absa Bank (Mr. Julius Ceaser Kiyemba)
	Vice Chair: dfcu Bank (Ms. Eva Naisanga)
Risk Committee	Chair: dfcu Bank (Ms. Agnes Mayanja)
Security	Chair: Stanbic Bank (Mr. Timothy Ocha)
	Vice Chair: Centenary Bank (Mr. James Matovu)
Treasurer's forum	Chair: Stanbic Bank (Mr. Kenneth Kitungulu)
	Vice Chair: Standard Chartered (Mr. Charles Katongole)

As at end of 2020, there were fifteen (15) UBA committees with the establishment of the Risk Committee, whose mandate among others is to create a framework for scoping risks within the industry and initiating areas for capacity building.

The Association extends its appreciation to the leadership and members of the various committees for the support towards delivering

initiatives during the course of the year. These include development of an industry response framework to COVID-19, implementation of credit relief measures and capacity building among others

In 2021, the Association will work towards ensuring that all committees establish work streams to enhance their productivity.

Notice of Annual General Meeting

NOTICE TO: ALL CHIEF EXECUTIVE OFFICERS OF UBA MEMBER INSTITUTIONS

The Annual General Meeting of UBA is scheduled for **14, May, 2021 starting at 4.00pm**

Agenda for UBA AGM

1. Welcome Remarks by the Chairman & Confirmation of Agenda
2. Minutes of the previous meeting held on 22nd May 2020
3. Matters Arising
4. Chairman's Report
5. Treasurers Report
 - a) Presentation of Accounts for the year 2020 by External Auditors
6. Membership Updates
7. Election of office bearers
8. A.O.B

Wilbrod Humphreys Owor
Executive Director/Secretary



Message from the UBA Chairman

Dear Members,

I take this opportunity to welcome you to the 2021 Annual General Meeting of Uganda Bankers' Association. Good corporate governance requires that at each annual general meeting, the chairman presents a report on the performance of the association in the prior year, and any other major events in the banking sector to its members.

2020 was a year like no other, it was a challenging year and we thank God we are still able to meet today to take stock of events since our AGM meeting last year.

1. 2020 Banking Industry Review

Industry Assets and Liabilities

The total assets of the banking industry grew by 16.2% year on year, from Ugx 32.8 trillion at end of December 2019 to Ugx 38.2 trillion as at end December 2020. This growth was driven by;

- Growth in loans and advances by 13.9% (Ugx. 2 trillion) from Ugx 14.3 trillion reported in 2019 to Ugx 16.3 trillion in 2020.
- Cash and balances with Bank of Uganda that increased year on year by 10.4% (Ugx. 504 billion) from Ugx. 4.9 trillion on 2019 to Ugx. 5.4 trillion in 2020.
- Growth in customer deposits by 15% (Ugx. 3.5 trillion) from Ugx 23.3 trillion in December 2019 to Ugx 26.8 trillion in December 2020.

The total number of accounts were recorded at 17,762,123 as at December 2020 compared to 15,423,425 as at December 2019.

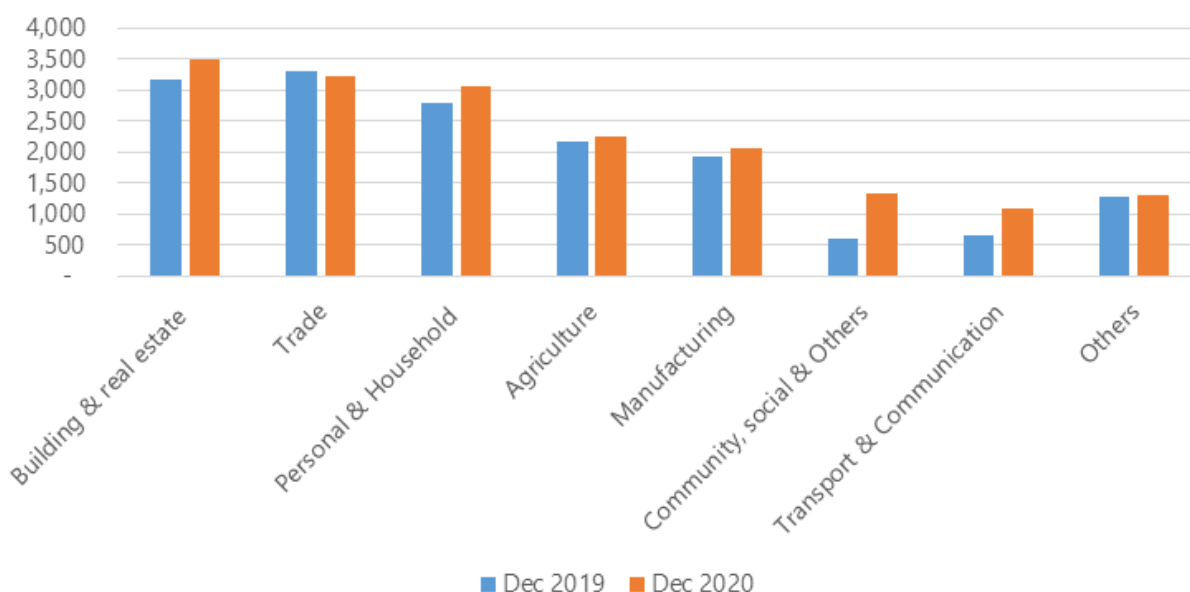
The number of Agent Banking outlets were recorded at 15,716 as at end of December 2020 compared to 12,154 at the end of December 2019.

Credit extension

Despite the challenges in the year occasioned by the Covid-19 pandemic, the credit extended by the sector showed a YoY growth across all sectors except mining and quarrying, with an overall credit growth of 12% year on year - Ugx. 1.9 trillion:

- The building, mortgage, construction, and real estate account for 19.5% of the total industry lending. The sector registered the largest increase in nominal terms by Ugx 305 billion, a 10% year on year growth.
- Agriculture accounts for 12.6% of total industry lending book, down from 13.5% in 2019. Lending to agriculture registered a muted growth rate of 4% (Ugx. 97 billion) largely attributed to credit extended to production (Ugx. 69bn) and farming (Ugx. 84bn).
- Personal and household loans accounted for 17.1% of total industry lending book as at end December 2020. The sector registered a large increase in nominal terms of Ugx. 259 billion, a 9% year on year growth.
- The industry average loan to deposit ratio was recorded at 60% compared to 61.4% in 2019.
- The credit relief measures played an important role in ameliorating the impact of the pandemic on distressed borrowers with up to Ugx 7.9 trn worth of facilities restructured. 44.6% of the total loans in the banking sector benefitted from the credit relief measures by the break of the year.

Sector Lending



Earnings and Profitability

- The aggregate banking sector profitability improved in 2020 despite the challenging macroeconomic and other conditions. 19 of the 24 commercial banks made profits (76%), an improvement from 2019, where 18 of the 25 commercial banks made profits (72%).
- Net after tax profits declined by 8.6% (Ugx. 73bn); from Ugx 849.8 billion in 2019 to Ugx 776.4 billion in 2020.
- Aggregate ROA and ROE declined from 2.9% in 2019 to 2.7% in 2020, and from 20.5% in 2019 to 16.1% in 2020, respectively. This was occasioned by a reduction in interest income along with an increase in the cost to income ratio.
- Industry average cost to income ratio increased significantly from 61.4% in 2019 to 68%. This was occasioned by the 43.9% increase in the industry operating expenses.
- Banks' resilience to shocks improved as aggregate core capital ratio and total capital ratio improved to 20.5% and 20.7% as at end December 2020, from 20.1% and 22.3% as at end December 2020, respectively.

Payments Systems

Digital payments continued to grow strongly during the year to December 2020 supported by the banking industry focus on improving the quality and number of digital products, the restrictions on movements and contacts during the COVID lockdown and correspondent downward revision or zero rating of e-payment related tariffs by financial institutions, no-merchant surcharge campaigns as well as initiatives in the year to drive consumer utilization:

- **Debit Cards** – The number of active debit cards grew by 16.3% year on year from 2.2 million cards in 2019 to 2.6 million cards in 2020. The volume of transactions and value of payments using debit cards increased by 5.5% to 4.45 million and by 9.5% to Ugx. 925.7 billion respectively
- **Credit Cards** – The number of active credit cards grew by 4.7% year on year from 9,821 cards in 2019 to 10,281 cards in 2020. The volume of transactions and value of payments using credit cards however dropped by 19.8% to 159,800 and by 17.5% to Ugx. 52.3 billion respectively
- **Point Of Sale (POS)** – The volume of POS transactions grew by 31.2% to 2.9 million, and the value grew by 24.9% to Ugx 24.9 billion by the end of December 2020.
- **Internet Banking** – the active number of internet banking users increased by 16.3% from 697,486 in December 2019 to 810,802 in December 2020. The volume and value of internet banking payments grew year on year by 21.4% to 1.7 million and by 30.2% to Ugx. 35.5 trillion respectively.
- **Mobile Banking** – the active number of mobile banking users increased by 20.1% from 1.1 million in December 2019 to 1.3 million in December 2020. The volume of mobile banking payments dropped year on year by 18.6% to 1.6 million whilst the value increased by 135.2% to Ugx. 9 trillion as at end December 2020.
- **Physical Channels** - In respect of the physical channels, the total number of bank branches was 562 and the total number of ATMs was 872 at the end of December 2020.
- **Staff** - A total of 16,632 staff were employed in the banking sector by end of December 2020.



2. Membership and Institutional Capacity.

Membership

During the year, NC bank and CBA bank merged, resulting into NCBA Bank. EFC Uganda Limited (MDI), which previously operated as EFC Limited, was admitted as an associate member. Afriland First Bank was licensed by Bank of Uganda as a Tier 1 Financial Institution and commenced operations in December 2020. The Institution was admitted as a fully-fledged member of the Association in 2021.

Institutional Capacity:

Research Directorate

The research directorate was capacitated by the recruitment of the Director Strategy and Innovation and with the support of the EU, the research centre finalized its three-year strategy whose main goal is to create a centre of excellence where quality information on matters pertinent to the financial sector and the economy at large is generated.

Key consultations, surveys, discussions, and webinars were held in 2020 in partnership with a range of partners including IFC, EU, URSB, EU, UTB, and Strathmore university, with an aim of building and strengthening partnerships with key stakeholders locally, regionally and internationally.

Research work, partnerships and collaborations commenced during the year with a range of key publications due in 2021. These will focus on consumer protection in digital financial services, decreasing the cost of doing business in the banking sector in Uganda, using digital infrastructure to accelerate financial inclusion in rural Uganda and a review of key sectors impacted by the Covid-19 pandemic (Hotels, Tourism and Hospitality, Education and Real Estate).

Strengthening Corporate Governance: Quality Assurance Report by Deloitte.

In May 2020, we commissioned a review of governance & quality assurance at the association. The exercise that was undertaken by Deloitte, assessed the adequacy of the organizational structure in providing oversight within UBA, evaluated existence and adequacy of policies and procedures within UBA and reviewed adherence to good corporate governance. Based on the recommendations from this report, we reviewed and updated UBA 's executive charter, in addition an investment and asset management policy was developed.

The secretariat further ensured all previous changes made at the previous AGM including provisions that covered admission of associate members, term limits for executive members were consolidated in the new UBA governance documentation.

UBA Committees

The work of the Association was supported through 15 committees during the course of the year. The leadership of each committee comprises a Chair, Vice and Secretary who serve for a period of one (1) year. We are grateful to all the various UBA committee members for dedicating time and commitment towards supporting the work of the industry. In 2020, two (2) committees raised key issues of concern that were actioned accordingly.

1. Credit Reference Bureau (CRB) Committee

The CRB committee shared a key concern where false positive (+) and negative (-) reports posed the risk of having supervised financial institutions (SFIs) make lending decisions based on incomplete data.

Following discussions among the committee members on this issue, it was agreed that;

- Supervised Financial Institutions will not accept CRB reports provided by the customer and a refresher training will be organized for staff on analysis of CRB reports.
- All participating institutions onboard/subscribe to both CRBs to enable comparison of data from both about the same customer as a check mechanism.
- There is need for fast tracking the regulatory process to enable other accredited credit providers (ACPs) join the CRB & provide/report information to enrich the CRB output.





2. ICT/Cyber Security Committee

The ICT/Cyber Security Committee reviewed the increasing cyber security incidences, trends and threats, noting that the banking & overall financial sector fraternity was operating in an environment of escalating cyber risk and its increasing impact on financial services operations, innovation and digitization.

It was further noted that cyber risk was pervasive in nature, scale and impact and to mitigate this risk, a consensus was reached that an industry approach would be more effective than isolated efforts of individual institutions.

The committee recommended that a cyber security operations center (SOC) be established to among others build cyber security capability within the industry championed at the UBA level complete with specialized forensic capabilities to ensure readiness, support proactiveness, detection, defense and incidence management.

A taskforce was constituted to evaluate options, review technical details for operations of the center and strategic partnerships necessary for the center to commence its operations. The matter was also considered at the Governor's meeting and adopted. The delivery of this important initiative will be a focus area in 2021.

3. Medium Term Strategy for 2019-2021

Payments

The industry held two payments strategy retreats in September 2020, one of which (15/09/2020) was an internal session limited to only UBA members, while another held on 22/09/2020 enabled us to engage with all other stakeholders in the payments pace.

The 15th September meeting took stock of the developments in the payment space and deliberated on aspirations of the banking & financial services industry in the payments space.

Further, during this meeting, two committees at the executive level were constituted to provide technical support in advancing industry initiatives in the payments space including strengthening engagement of stakeholders;

1. The Stakeholder Engagement Committee chaired by Anne Juuko, the CEO of Stanbic Bank Uganda Limited.
2. The Investment Committee chaired by Anthony Ndegwa, the CEO of NCBA Bank.

The 22nd September meeting that involved other stakeholders was opened by the Deputy Governor, Bank of Uganda Mr. Michael Atingi-Ego, who emphasized the need for the banking and financial sector to achieve its aspirations in light of the passing of the National Payment systems Law.

Participants at this meeting who contributed to the discussions included; UBA members (Tier I, II & III supervised financial institutions) and Secretariat, Bank of Uganda representatives led by the Deputy Governor, Financial Sector Deepening Uganda (FSDU), Uganda Communications Commission. (UCC), National Information Technology Authority (NITA (U)), MTN, Fintech Association (FITSPA), Visa & Mastercard, United Nations Capital Development Fund (UNCDF) and World Bank, Experian Credit Reference Bureau, National Identification and Registration Authority (NIRA) and Uganda Registration Services Bureau (URSB).

The meeting agreed that collaboration among all parties was important to promote growth of e-payments and harmonization of related initiatives would be critical to the implementation of the payments strategy anchored by the Central Bank of Uganda.

The Industry-wide Campaign on No Merchant Surcharging

The No Merchant Surcharge campaign kicked off on 28th July 2020 and aimed to encourage bank customers to use their bank cards to make payments at merchant locations and position card payments as a quick, safe and convenient payment option with no extra cost charged to the customer especially by merchants.

With technical and financial support from Visa & Mastercard, key messages were delivered through print, television, radio and on social media (Facebook, Twitter and LinkedIn) channels.

The first phase of the campaign ended in December 2020 and had a positive effect in as far as awareness of no-surcharge, which was evidenced via, engagement and responses through on-line media channels, feedback received, and the growth trends. A key aspect in the campaign was the opportunity for customer engagement and feedback in respect of card usage, challenges of being charged and specific examples that enabled focused resolution.

Phase II with a focused utilisation campaign will be undertaken in the 2021 as a follow through of the assessments & lessons picked up in phase I.

We thank the card scheme partners Mastercard & Visa for playing a central role in this campaign and the regulator BOU for being very resolute in this matter of no-surcharge.

NIRA Project:

The NIRA project was conceptualized in the fourth (4th) quarter of 2019 in order to actualize UBA's medium term (2019-2021) strategy that focuses on leveraging ICT for digital financial services and aims to increase access to financial services and drive initiatives that lower the cost of delivering financial services, manage the risk and increase financial inclusion.

2020 was the targeted year for the implementation of the NIRA projected aimed at enabling the interface between the National ID System (NIRA) and the banking & financial services sector to facilitate identity authentications at e-transaction processing as well assist in e-kyc validations at account opening.

The expected benefits of the interface included ease & growth of account opening, rapid growth of e-products & services including credit transactions due diligence, and the establishment of a single reference customer view for existing customers.

The project suffered delays occasioned by changes in architecture as required by other stakeholders however by November 2020 its execution had resumed.

As at end of March 2021, the development of the software had been completed, 86% of the Supervised Financial Institutions (SFIs) had completed readiness assessment and 43% of the SFIs had deployed the solution in User Assessment Tests. Of the 77% SFIs that had submitted MoUs to NIRA for review & signing, 31% had been signed. Two (2) SFIs have deployed the solution in the production environment.

It is intended that the project will be completed by mid-year 2021

Regulatory Reforms:

With the financial support from Financial Sector Deepening Uganda (FSDU), a consultant firm Friends Consult, was contracted to provide technical assistance to the joint UBA-BOU regulatory reforms project taskforce in progressing the gathering & review

of proposals, insights, constraints, best practices and to consult stakeholders as appropriate as well as benchmark with trends & practices across the region and overseas.

The validation meetings are scheduled to take place in May 2021 covering the key thematic areas of credit, compliance, legal governance, operations, clearing, finance, treasury, credit reference bureau, ICT, digital financial services and agent banking. The final report including various recommendations for action will be shared by June 2021.

We convey our gratitude to FSDU who have walked this far with the industry on this important & strategic initiative.

4. Stakeholder Engagements

The engagement of different stakeholders across the financial sector is foundational to partnership management, which is key to the UBA medium term strategy. We continued with several stakeholder engagements during 2020.

Meeting with Industrial Court

The capacity building workstream of the UBA legal committee fostered dialogue

with the industrial court, and two high level meetings were held between the court and members of the Legal and HR committees which culminated in the workshop held on 14th January 2020.

The session which was facilitated by the chief judge of the industrial court, Hon Justice Ruhinda Asaph Ntengye focused on labour laws, particularly the Employment Act 2006, drawn from the conventions enacted under the International Labour Organization whose mandate is to advance social justice and promote decent work terms & conditions.

The meeting highlights included;

- Embedding strict compliance with the provisions of the Act in company policies and procedures.
- Encouraging the use of Alternative Dispute Resolution at mediation as one of the mechanisms to ease case backlog.
- Training disciplinary committees and adhere to procedures during investigations.
- Aligning HR manuals to the law and ensure the processes are followed as most references to the industrial court arise out of mismanagement of in-house disciplinary processes.

The meeting further agreed that UBA will collaborate with the industrial court to; propose reforms to the Employment Act, formalize processes to encourage Alternative Dispute Resolution to deal with case backlog and guide Court on how insurance works for loans.

Engagements with the Ministry of Finance Planning & Economic Development (MOFPED):

Fiscal Policy Issues:

The Association held several fruitful engagements with the Ministry of Finance and Economic Planning and the Uganda Revenue Authority during which tax amendments for budget 2020/2021 were considered. Other key issues considered included VAT exemption for debt collection and factoring by financial institutions, exemption of taxes on the importation of specific digital equipment/accessories to build infrastructure enabling agent banking spread across the country, exemption of excise duty on charges on the use of online platforms, online banking and USSD code for a specific period of time, and tax exemption on charitable donations made to the government to fight against the Covid-19 Pandemic.

In 2021, the Association will continue to implement its stakeholder engagement strategy, nurturing relationships with various institutions to promote financial sector growth and development.

Banking Sector Contribution & Impact assessment

In 2020, we contracted PWC to undertake a banking sector impact assessment for the period 2019. The total tax contribution (TTC) and economic impact measurement survey brought together data that gives a clearer picture of the substantial social, economic and tax contribution made by the banking sector in Uganda during these uncertain economic times.

The report revealed that,

- i) The banking sector contributed an estimated UGX 3.886 trillion to Uganda's public finances in 2019 or 24% of total tax revenue receipts in the year ended 31 December 2019.
- ii) The taxes borne and collected by both local & foreign headquartered banks made up more than 24% of total government tax receipts, reflecting the significant impact of sector taxes.
- iii) 72% of taxes borne are not dependent on profits made by the banks. These are made up of VAT on imported services, irrecoverable VAT, employer contribution to NSSF, stamp duty, customs duty, excise duty and property rates.
- iv) The industry made available to government via domestic borrowing Ugx 4.2 trillion.
- v) The banking sector financing to the youth, women, SMEs and SACCOs stood at UGX 6,308 billion as at 31 December 2019. Youth stood at UGX 69bn, Women at UGX 1,544bn, SMEs at UGX 4,050bn & SACCOs at UGX 23bn.
- vi) The banking sector spent over UGX 860bn on supplies of goods and services from vendors in different sectors of the economy as at 31 December 2019.
- vii) As at 31 December 2019, a total of UGX 8.258 billion had been spent on various community initiatives. Of this UGX 7.4 billion was spent in the services sector, in the areas of education, health and financial literacy.
- viii) The sector employed a total of 6,594 agents through the agent banking platform and created total commission income of UGX 2.552 billion out of which UGX 1.814 billion (71%) was paid out to agents.
- ix) The sector employed over 16,866 personnel; spent over UGX 21.278bn on employee training in 2019, UGX 196bn on employee benefits and provident fund contributions of UGX 46bn.

Meeting with Uganda Revenue Authority Commissioner General.

On 24th September 2020, UBA held a meeting with the Commissioner General and deliberated on concerns from URA about suspected non-collection of applicable taxes on syndicated loans especially where the partial funder is foreign & non-resident in Uganda.

UBA shed light on how syndicated transactions are carried out and applicable taxes therein.

The meeting further constituted a joint standby technical committee to support complex tax matters in as far as banking is concerned.

The Commissioner General noted and appreciated the contribution & role played by UBA members in tax collection that stood at 94% of the total tax collections for the period 2019/2020.

Covid-19 Response

The Coronavirus Disease (Covid -19) was declared a pandemic by the World Health Organization on January 30, 2020. The Government of Uganda subsequently issued guidelines to ensure the country was able to mitigate the spread of the disease.

The banking and financial services industry subsequently developed a response framework for Covid-19 that included business continuity plans and a host of measures to minimize health risks, decongest bank branches, manage both liquidity and credit risks including a downward revision of tariffs for e-payments. During the peak of the lockdown, charges were waived for bank to wallet transactions, agent banking transactions and withdrawals done at Bank ATMS. Customers were encouraged to utilize the existing digital platforms and minimize trips to banks.

In response to the government of Uganda's call, the banking & financial services sector mobilized funds both individually as supervised financial institutions as well as collectively under the UBA umbrella coupled with the Deposit Protection Fund of Uganda (DPF) and participated in the Covid-19 support fundraising drive contributing a total of Ugx 2.8 trillion.

Material Contribution	Equivalent Cash Contribution
4 mobile Isolation EpiTents	100,000,000
Assorted medical & sanitary Items plus cash	113,000,000
400 units with @ 7 pieces PPE+ Cash	100,000,000
Assorted medical & sanitary Items plus cash	250,000,000
2 new Toyota Double Cabins plus PPE	500,000,000
Cash , Food ,Protective gear for frontline workers	190,000,000
Cash/Vehicles	570,000,000
In collaboration with JMS- fully operating theatre at Kajjansi HC IV	384,000,000
Assorted medical & sanitary Items plus cash	100,000,000
PPE	80,000,000
PPE medical PVC mattresses , liquid hand sanitizer and non sterile disposable gloves	7,000,000
60 Pieces of Mattresses	5,000,000
PPE for 20,000 Health Workers and MAK Rapid Test kits for 53,000 tests	440,325,000
	2,839,325,000

The sum of Ugx 440 million raised under the auspices of UBA & the Deposit Protection Fund was pledged for the procurement of Personal Protective Equipment (PPE) for the health workers at the frontline in this effort against Covid-19 and financial support to Makerere University Department of Immunology and Molecular Biology, College of Health Sciences to produce rapid test kits for COVID-19.

Covid-19 Development Fund Framework:

We supported Ministry of Finance and Economic Development in the development of the framework that will enable the sustainable provision of funds for post Covid-19 stimulus package for the SACCOs and VSLAs. The framework aims at provision of a revolving support and stimulus funds sustainably.

Private Sector Foundation Uganda (PSFU) & MOFPED

We held engagements with the Private Sector Foundation of Uganda on the planned sector interventions in the National Budget Framework Paper FY 2021/22.

The discussion highlights included:

- **The operationalization of Assets Reconstruction Company (ARC)**- which requires enactment of the law under which ARC will operate. This will make provision of capital injections by attracting international investors.
- **Government tax exemption** on hardware and software

intended to support financial inclusion such as POS machines and tablets.

- **Agriculture Credit Facility (ACF)** – Increase in quantum of pool fund and the need to remove the constraints & blockages in the framework.
- **Covid-19 impact** – Sector focus through the Supervised Financial Institutions should be on the hospitality and education sectors that were greatly impacted.

FITSPA-UBA Partnership-

On 4th February 2020, we signed a collaboration agreement with the Financial Technology Service Providers Association to work together to advance digital finance, through promotion of innovations,

awareness and uptake of digital financial services. We further participated in the Fintech Symposium in 2020 that facilitated in depth discussions on the National Payments Systems Law 2020.

Capacity Building Collaboration with International Finance Corporation (IFC)

We signed a collaboration MOU with IFC for capacity building. Through this MOU, a framework plan for execution was finalized that included undertaking an SME survey to assess the needs of SMEs supported by member financial institutions and training webinars were held for both staff of member SFIs as well as SME customers on building resilience during difficult economic times, risk management and accessing & proper utilization of available credit facilities.

UBA/Uganda Securities Exchange (USE) Webinar-

We participated in a dialogue arranged in collaboration with the Uganda Securities Exchange through a webinar on the role of capital markets in addressing high bank lending rates where various recommendations were key among them being that well developed capital markets play a very critical role in determining the price of credit, since it provides alternative sources of capital especially long term & patient capital.

Uganda Insurers Association – UBA

We continued to strengthen our collaboration with Uganda Insurers Association (UIA) through joint efforts in delivering the 4th Annual Bancassurance Forum that was held in November 2020 and took stock of achievements in the Bancassurance Service.

UBA in partnership with UIA, HOVITA and other stakeholders also launched the 'Road Safety Campaign' as part of the commemoration activities for the World Remembrance Day of all Road Accident Victims.

Collaboration with Financial Sector Deepening Uganda (FSDU):

During the year, UBA and FSDU worked together on a range of initiatives that included development of a documentary and a case study on the Shared Agent Banking Service in Uganda, both of which will be released later in 2021. These communication tools are important and will tell the story of the Shared Agent Banking Service and we anticipate that it will also interest other financial service markets to embrace this initiative.

As part of capacity building for the Association to develop and grow partnerships with Institutions of higher learning in the areas of research, FSDU contracted the Uganda

Christian University to work with UBA on a pilot research project focusing on the impact of COVID-19 on Agent Banking Business in Western Uganda. The report of this pilot project will be finalized and disseminated to diverse stakeholders including the wider public this year.

FSDU further extended financial and technical support towards the project on digital ID verification for Bank customers, a system that will interface with and use NIRA's existing records as well as the National ID card system to help banks verify the identity of existing and prospective clients in account opening and transaction processing.

Collaboration with GIZ PRUDEV project

In 2020, we signed an agreement with GIZ to implement a Shared Agent Banking awareness media campaign that covered the districts in Acholi and Lango sub regions of Uganda. This aimed to increase the number of agents and promote utilization of the shared agent banking service within these sub regions through use of radio platforms and production of information education and communication materials.

We conducted a review of this intervention together with GIZ and an external consultant from which it was evident that the communities were aware of the service however there was need for continuous and targeted sensitization to further build confidence among the population to use the services.

Grant Support from aBi

The three (3)-year grant agreement we signed with aBi to extend financial support towards the development and growth of the Shared Agent Banking Service across the country ended in April 2021. We are grateful for this support that enabled us conduct capacity building sessions for agents, develop and produce various market branding and communication materials and procure devices for agents.

Overall, the total funding outside subscriptions extended through the above partners to the various initiatives amounted to approximately Ugx 1.4bn

Collaboration with GIZ on a Land Inventory Project

We progressed the engagement that started in 2019, with GIZ RELAPU about a pilot project on land inventorization and its potential in unlocking financing opportunities to financial institutions and addressing the financing challenges in the agribusiness value chain.

Following continuous discussions, we signed an agreement with GIZ in April 2021 to work together to promote the uptake and use of the Land Inventory Protocol (LIP) and Certificate of Occupancy (CoO) -outputs of the land use rights documentation initiative of GIZ Uganda in partnership with the Ministry of Lands, Housing and Urban Development- among financial institutions especially in their credit assessment (Know Your Customer) and management processes, in order to enhance the goals of easing access to finance by agriculture value chains and small holder farmers in the districts of Mityana, Mubende, Kassanda and Gomba in central Uganda.

The positive aspects of this include useful data gathered (KYC as well as collateral data), wider customer base catchment area and reduced costs of verifying land related data.

The UBA secretariat is currently finalizing plans to support with the roll out of this pilot with up to six (6) targeted member financial institutions in 2021.

Engagements & Collaborations on Green/Climate/Sustainable Finance

We commenced discussions with various partners on this very important area of green/climate/sustainable finance to get the banking & financial sector to actively support & play a leading role in facilitating Green/Climate/Sustainable Finance in Uganda.

A framework paper to have this well-structured & anchored at the UBA secretariat is underway and this will be a leading thematic area for the industry from 2021 onwards.

Collaboration with Uganda Registration Services Bureau (URSB)

UBA is grateful for the support and strong relationship with the Uganda Registration Services Bureau. Registration services & related documentation has been eased tremendously and enabled by the digitization undertaken by URSB.

This has contributed to lowering of related costs and turnaround time related to such transactions.

UBA worked closely with URSB as part of the resource persons on a webinar that focused on creating awareness of the URSB adaptation to the "new normal" to help create an environment that will lead to ease of doing business with a special focus on business continuity of services amidst the disruptive Covid-19 period.

In addition, we participated in the launch of the intellectual property law and the SIMPO, the digital system used for the registration of collateral and moveable property at State house.

5. Communications

During the year, we undertook various communication initiatives through strategic partnerships and collaborations.

With support from partners (GIZ and aBi), public awareness campaigns on Shared Agent Banking Services were executed through various radio platforms in eight (8) local languages that aimed to promote utilization of the service in the rural areas. In addition, we partnered with NSSF to promote awareness of the NSSF Collection Services on the Shared Agent Banking Platform.

We also worked closely with the Institute of Banking and Financial Services (UIBFS) to implement thematic webinars and most importantly to launch the Banking and Financial Services Awareness Month in November 2020, which will now be an annual event that will aim to promote financial literacy and education among the population. Further, we are working closely with UIBFS to progress the enhancement the Annual Bankers Sports Gala event to include a component of Corporate Social Responsibility in 2021.

UBA in addition partnered with Seamless East Africa to host a virtual event that facilitated discussions on the future of payments, banking, fintech and Insurtech. The event that was held on 8-9 September 2020, brought together regional representatives from banking and financial services sector to share view and very good learnings in the area of payments.

During the year, UBA worked closely with various traditional and online media platforms to share updates and new information from the industry through scheduled interviews on UBC, Urban TV, Bukedde, CEO East African Magazine, Bankers Journal, Daily Monitor, New Vision, Business focus, finance and trade magazine, NTV, NBS and various online channels and radio stations.

We participated in the Kampala Innovation week 2020 event in close collaboration with the Uganda Green Enterprise Finance Accelerator (UGEFA). The event brought together representatives from key ecosystem stakeholder groups and green SMEs to celebrate the achievements of enterprises while collaboratively mobilizing support for building capacities and making financing available to green SMEs across sectors in Uganda. In February 2021, we signed an MOU with Adelphi Research, a leading independent think and do tank on climate, environment and development to jointly

establish a Green Finance Academy to become a leading platform facilitating knowledge sharing and providing capacity building within Uganda's financial sector around the topics of green finance and climate finance.

We participated in the review of the implementation of the national financial inclusion strategy with the regulator Bank of Uganda and other stakeholders through the various working groups. We will continue to support and contribute to execution of the strategy through various financial sector related initiatives.

6. Regulatory Issues

Credit Relief Measures

Bank of Uganda through the supervised financial institutions provided credit relief and loan restructuring measures to support the businesses and individuals impacted by the Covid-19 pandemic.

The credit relief options were granted individually or in combination, at any point during the 12 months from April 1st 2020 to 31st March 2021. Subsequently, a 6-month extension was provided by BoU, from April 01, 2020 to 30th September 2021. During the period April 2020 to December 2020, a total of 986,287 applications for restructure were received worth Ugx. 9.7tn and – 99% of the applications worth 7.9tn were approved and restructured.

This comprised the tourism and hospitality sector (80%), the education sector (72%), transport and services at 60% and 45% respectively.

The Covid-19 credit relief programme is scheduled to end 30th September 2021, yet the pace of economic recovery across the different sectors of the economy remains uncertain. Many SFIs are still exposed to significant past due restructured loans; Ugx 4.8 trn remained outstanding as at end January 2021 of which, Ugx 1trn was past due by at least one repayment and Ugx 769.9 bn by at least two (2) repayments.; many borrowers are still financially distressed and key sectors including tourism and hospitality, education and real estate are still subdued and will likely be unable to manage their financing obligations.

National Payment System Act 2020

The Ugandan National Payments Systems Act 2020, effectively became law after it was assented to by the President of Uganda in July 2020.

- The Act regulates operators of payment systems, payments service providers, issuers of payments instruments and issuers of electronic money. All these will now require licenses issued by the BOU except for payment systems operated by the Bank of Uganda.
- The Act introduces a regulatory Sandbox under which a person may obtain limited access to a payment system or eco-system to test innovative financial products or services without obtaining a license.
- The Act has a transitional provision that requires holders of 'No Objective' letters issued by Bank of Uganda to operate a system to apply for license in accordance with the Act within 12 months of its commencement.

Interest Rates

In July 2020, the Governor raised a concern to financial institutions on the matter of high Interest Rates and the need for the industry to consider undertaking significant downward reviews. The industry considered the matter in great depth and held numerous dialogue sessions with the supervision directorate of Bank of Uganda, the Ministry of Finance and other agencies on drivers and determinants of interest rates.

Member financial institutions have since made every effort possible within their means to respond to the governor's concern on downward reviews and prime lending rates have largely dropped or remained flat since then. We will continue to dialogue and work towards reducing the rates.



International Capital Adequacy Processes (ICAAP)/ Stress Testing

The gazetting of the Financial Institutions Capital Buffers & Leverage Ratio Regulations 2020 on 31st December 2020, brought about the following key developments;

1. The introduction of a capital conservation buffer (CCB) of 2.5% of risk weighted assets (RWA) over and above the core capital ratio and total capital ratio.
2. A systemic risk buffer for domestic systematically important banks (DSIBs) ranging from 0% to 3.5% of RWA and above CCB.
3. A counter cyclical capital (Ccy) buffer of 2.5% of RWA and a minimum leverage ratio of 6% of the total balance sheet & off-balance sheet assets.

In light of the above and with guidance issued by Bank of Uganda, financial institutions undertook stress tests & internal capital adequacy assessment processes (ICAAPS).



BOU further issued circulars on implementation of the Basel II Capital Accord in Uganda together with some elements of Basel III that emphasized three (3) pillars from minimum capital requirements and the additional charge for operational risk; capital management and conduct of ICAAPs (Internal Capital Adequacy Assessment Programmes); to providing for a set of disclosure requirements that allow & enable market participants to assess SFIs.

The circulars highlighted the intended objectives as well as transition arrangements/roadmap with parallel runs commencing on 30th June 2021 to 31st December 2021 and thereafter full transition effective 1st January 2022.

Notice of discontinuation of LIBOR

The industry noted the planned discontinuation of LIBOR (London Interbank Offered Rate) effective December 2021 and the alternative reference rates proposed.

The UBA treasury committee put in place an internal preparedness plan for each member financial institutions to follow and Bank of Uganda subsequently issued a roadmap with milestone dates. Efforts will be made to ensure that member banks and clients appreciate the transition and prepare accordingly to minimize client complaints and possible litigations.

Other Regulatory matters

The Association held discussions with Bank of Uganda on other industry matters and respective were actions agreed on. These include;

- The need to fast track the pending changes to the microfinance deposit-taking institutions (MDI) laws.

- Strengthening response to Cyber Fraud & Security with UBA championing the effort to build cyber security capability within the industry championed at the UBA level, complete with specialized forensic capabilities to ensure readiness, support proactiveness, detection, incidence management etc.

This will ensure strategic & effective collaboration with BOU, NITA, MNOs, Aggregators, fintechs/cyber security agencies, judicial and other law enforcement arms.

7.Challenges:

The year 2020 was not short of challenges.

Annual Bankers Conference 2020:

We were not able to hold our annual Bankers Conference in 2020 because of the COVID-19 pandemic and lockdown requirements.

The Annual Bankers' Conference is a key flagship activity in UBA's annual calendar that brings together regulators, practitioners & various industry experts from domestic, international, regional, national spheres involved in facilitating and delivering financial/banking services, to discuss issues, trends, drivers and the dynamics that are increasingly shaping sustainability strategies in banking, finance and the overall economic development.

We are scheduled to hold the conference this year in July under the theme ***"Bend but don't break: How players in the financial services sector can thrive in the era of the 4th Industrial Revolution"***

Follow up on concerns around the Presidential Policy Directive on No-Mortgaging of Government Land.

In July 2019, the Ministry of Lands issued a letter communicating a directive from H.E the President prohibiting mortgaging of Government Land by investors especially to Financial Institutions because of associated risks therein and implications to Government.

The directive took the financial sector by surprise considering the severe ramifications it would have not

only to existing financial sector lending exposure secured by such mortgages, but also to future investments supported by financial institutions since Government is the biggest owner of land.

The association followed up the matter through several meetings with the Ministry of Lands the Ministry of Finance & Investments, Ministry of Justice, Bank of Uganda and several other stakeholders including the Manufacturers Association.

In September 2020, the Minister for Lands in a press statement indicated that Government had put in place a framework with terms & conditions for mortgaging the right to use government land, however no formal/ official letter communicating this position was issued similar to the letter that had communicated the earlier presidential directive.

We continue to follow this up with the relevant organs of Government.

Miscellaneous Application No. 654 of 2020 arising from High Court Civil Suit No. 43 of 2020 Ham Enterprises and Others vs Diamond Trust Bank (U) Ltd & Another.

The unfavourable high court ruling against DTB in the Miscellaneous Application No. 654 of 2020 arising from High Court Civil Suit No. 43 of 2020 Ham Enterprises and Others vs Diamond Trust Bank (U) Ltd was one of the key lows of the year with huge ramifications for the banking industry in Uganda.

Following the emergency CEOs meeting held on 8th Oct 2020, a media statement was issued conveying shock & dissatisfaction with the ruling of the commercial court coupled with ramifications.

Members reached a decision to associate itself with the process of staying execution of the orders as well as with the appeal process to overturn the ruling. Members further agreed to engage the Bank of Uganda, Government through the Ministry of Finance and other stakeholders to dialogue on this matter and stem the potential negative effects on the economy as a result of this ruling.

Negative Perceptions & media coverage about the banking sector.

The negative media coverage especially around what was then perceived as inconsiderate recovery measures (foreclosures) especially disposal of properties where names of several member SFIs were in the media was another low. The industry responded to some of the negative media coverage to shade light on operations of financial institutions & regulatory requirements therein. We further put in place the stakeholder committee to undertake engagements with all stakeholders to foster appreciation of challenges faced by financial institutions and implications arising from loan default.

This will become a much bigger challenge with the slow recovery of the economy post COVID-19 lock down.



Interruptions in the provision Internet Services

Industry operations and services were temporarily affected when the internet services in Uganda using the traditional communication lines were temporarily shut down during the election period.

Bank online electronic banking platforms were not accessible, customers out of the country were not able to transact using their cards, Interbank transactions were not possible, Real Time Gross Settlement (RTGS) transactions could not be processed, Automated Clearing House (ACH) files could not be uploaded to the Central Bank (ACH gate-way), Inability to access FX trading windows for treasury transactions and the related FX Losses arising from changes in rates. Accessing Credit Reference Bureau information/data was a challenge among others.

The industry took lessons from this experience and engagements were undertaken with Bank of Uganda where a number of actions were agreed on in terms of future preparedness to minimize impact.

Challenge of Low Banking Penetration

There remains the challenge of low banking penetration and financial literacy which still remains low especially in the semi urban and rural areas coupled with high operating costs. We will through collaborations, partnerships and dialogue continue engaging stakeholders to work on resolving these issues.

Despite the development of digital products, and the support and drive undertaken by the various SFIs and stakeholders in the banking industry, there is slow adoption and the utilization of the said channels is yet to be optimized. Customer dependence and use of cash is still high in the economy. A continued focus and customer education in 2021 and going forward will see traction and subsequently channel optimization.

8. Outlook for 2021

Uganda's economy significantly slowed down in FY 2019/20, precipitated by the direct and indirect impact of lockdown measures aimed at preventing the spread of Covid-19.

GDP grew by 3.1% compared to 6.8% in FY 2018/19. The high growth momentum posted in the first half of FY 2019/20 was reversed in the second half of the financial year due to the impact of the pandemic.

Quarterly GDP estimates released by Uganda Bureau of Statistics (UBOS) show that the lockdown and other restrictions imposed to counter the spread of Covid-19 had a devastating effect on the economy with a contraction in GDP of 1.7% in the quarter to 31 March 2020. The data

further shows that the rate of contraction worsened to 3.2% in the quarter ended 30 June 2020, which was the period in which restrictions on movement and work were at their peak.

According to Bank of Uganda, the high frequency indicators for economic activity in the quarter to September 2020, pointed to a mild recovery of economic activity with estimated growth of 2% from a sharp contraction of 6% in the quarter to June 2020. The simultaneous fiscal, monetary, and financial stimuli were effective in avoiding the most negative economic consequences of the Covid-19 shock. The easing of the lockdown, the stability of the exchange rate, as well as a feeble improvement in both foreign and domestic demand are supporting economic growth recovery. However, economic growth was tepid, uneven, and still fragile and projected to contract in the range of 0.2% and 0.5% in 2020. High frequency indicators of economic activity indicated a growth of 2.6% in the quarter to December 2020, down from a growth of 9.2% in the quarter to September 2020.

The outlook in Uganda remains cloudy as infections gather momentum and the uptake of the vaccine regimen in Uganda remains low. The uncertainty was

exacerbated by the January 2021 general elections which entailed not only a slowdown in government spending but also reduced economic activity in the run-up to and immediate aftermath of the election. Furthermore, low exports of goods and subdued tourism receipts are projected to continue to weigh on economic growth given weaker global demand.

Economic growth in FY 2020/21 is projected in the range of 3% to 4%, further increasing to 5% to 6% in FY 2021/22. Economic growth is consequently expected to remain below the potential growth rate until FY 2022/23.

In the banking sector, the extended impact of Covid-19 has led to continued uncertainty about the borrower's ability to service their loans at the end of the moratorium, with an increased likelihood of accelerating provisions for impaired loans and advances which is likely to further impact the SFIs financial performance and capital. In the medium term, a boost in credit growth is projected, in line with an improvement in the economic activity. The operating environment of the SFIs is likely to remain challenging until the economic conditions improve, and wide sector recovery commences.

9. Conclusion

2020 was a challenging year for the country and the banking industry in different ways and I am sure each one of us had a unique set of challenges to manage and overcome, and new ways of work to manage, operationalize and institutionalize.

I would like to thank the different stakeholders in the Ugandan economy and globally who through their commitment to support and work enabled the banking sector to remain resilient and stay the course during the trying times in 2020, including the lockdown occasioned by the Covid-19 pandemic.

Key in this category include the health and social workers, the providers of key services including food, supplies, security agencies and transport services, development partners, agents and all the stakeholders in the support services.

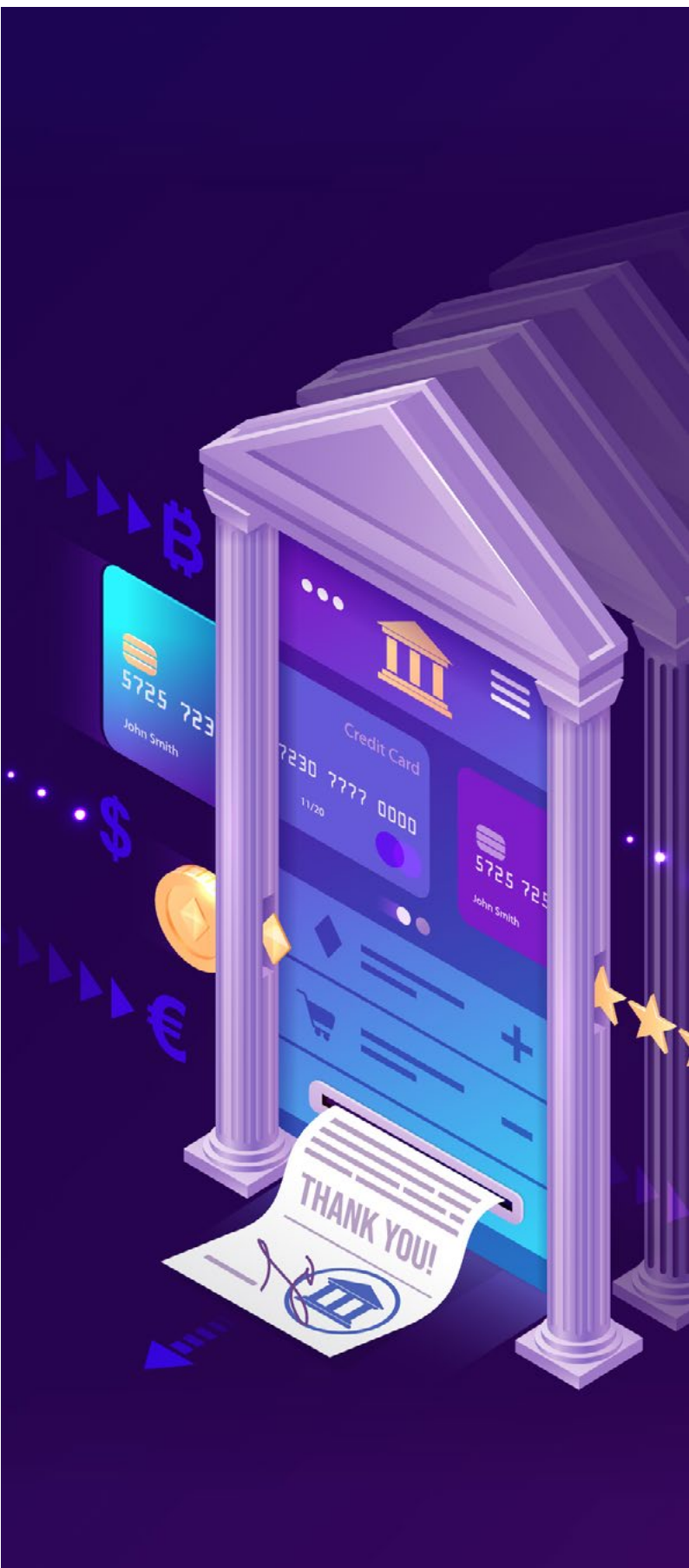
I would like to thank my colleagues at EXCO, all the CEOs and the team at Secretariat led by the ED for the work done in 2020 and to all of you for the tremendous support demonstrated all through the challenging 2020.

I would like to thank all the chairpersons, and members of the various committees for the support and commitment offered during the year, as well as all the successes they were able to achieve for and on behalf of the banking sector.

I thank you for entrusting me as chairman UBA for the year and look forward to a better 2021.

Mathias Katamba

Chairman, Uganda Bankers Association



Message from the Executive Director



*Blessings to you
member CEOs,
Secretariat &
Committee
staff and all
Stakeholders.*

give glory to God Almighty for crossing every year and in particular 2020. The challenges of 2020 are well illuminated in the report of the Chairman, we come to 2021 with lessons learnt that will no doubt shape our future including by way of resilience.

In spite of the challenges occasioned by the pandemic, we undertook numerous activities in line with the mandate of the association and medium-term strategic plan 2019-2021.

The delivery of the 2020 work plans, actions and activities was only possible through the tremendous work of my colleagues, the staff at the secretariat, the fifteen (15) committees of UBA, the executive committee & CEOs of UBA member institutions coupled with the support and collaboration from our various stakeholders and partners.

Special thanks to the Chairman & EXCO members as well as the CEOs who gave the secretariat full & unwavering support and made themselves available all through the year, very many times at short notice and by way of financial resources. We are grateful for this and it gives the energy & zeal to keep going.

Special gratitude also goes to the staff & colleagues at the secretariat and the 15 committees of UBA who form the back office and power engine that implements aspirations of the association.

I thank you for the time you dedicate to industry matters, for the insights, and for the support you provide the secretariat.

I wish to convey our deep gratitude to the regulator Bank of Uganda (BOU) for the level of closeness in working relationship that they have facilitated with the association now and today more than ever before. BOU has engaged us, consulted us, carried us along at each & every stage and equally valued our partnership like never before. Special thanks to the Governor and the entire BOU team and we congratulate him on his re-appointment.

We salute and express our sincere gratitude to the numerous partners whom we work with and share aspirations and goals.

Special thanks to Financial Sector Deepening Uganda (FSDU), aBi Trust, GIZ, IFC, EU, the World Bank, International Monetary Fund (IMF), United Nations Capital Development Fund (UNCDF), Mastercard, Visa, Experian (formerly Compuscan), Metropole, Uganda Law Society, Justice Law & Order Sector (JLOS), the Judiciary, the Uganda Institute of Banking & Financial Services, the International Center for Arbitration & Mediation in Kampala (ICAMEK), Uganda Revenue Authority (URA), Uganda Communications Commission, National Identification & Registration Authority (NIRA), Uganda Registration Services Bureau (URSB) Uganda Insurers Association, Financial Intelligence Authority (FIA), Insurance Regulatory Authority (IRA), the Deposit Protection Fund, Ministry of Finance, Planning & Economic Development, the fintech association (FITSPA), Laboremus, Eclectics International,

Private Sector Foundation (PSFU), KACITA, Uganda Manufacturers Association (UMA), the Uganda Securities Exchange (USE), Capital Markets Authority, Our various consultants including Friends Consult, Summit Consulting, PWC, Deloitte, all our external legal counsels, media houses to mention but a few for all the support rendered in the course of the year.

Our medium-term strategy 2019-2021 ends this year, and it will be time to draw up directions for the next strategy cycle. Many aspects of this new cycle will hinge on the earlier plans and aspirations, many of which still require a lot of work to record meaningful milestones.

We will remain resolute about these aspirations and continue to pursue their desired end goals. Banking penetration, access to credit, digitizing payments, cyber security and improving the enabling environment will continue to feature prominently.

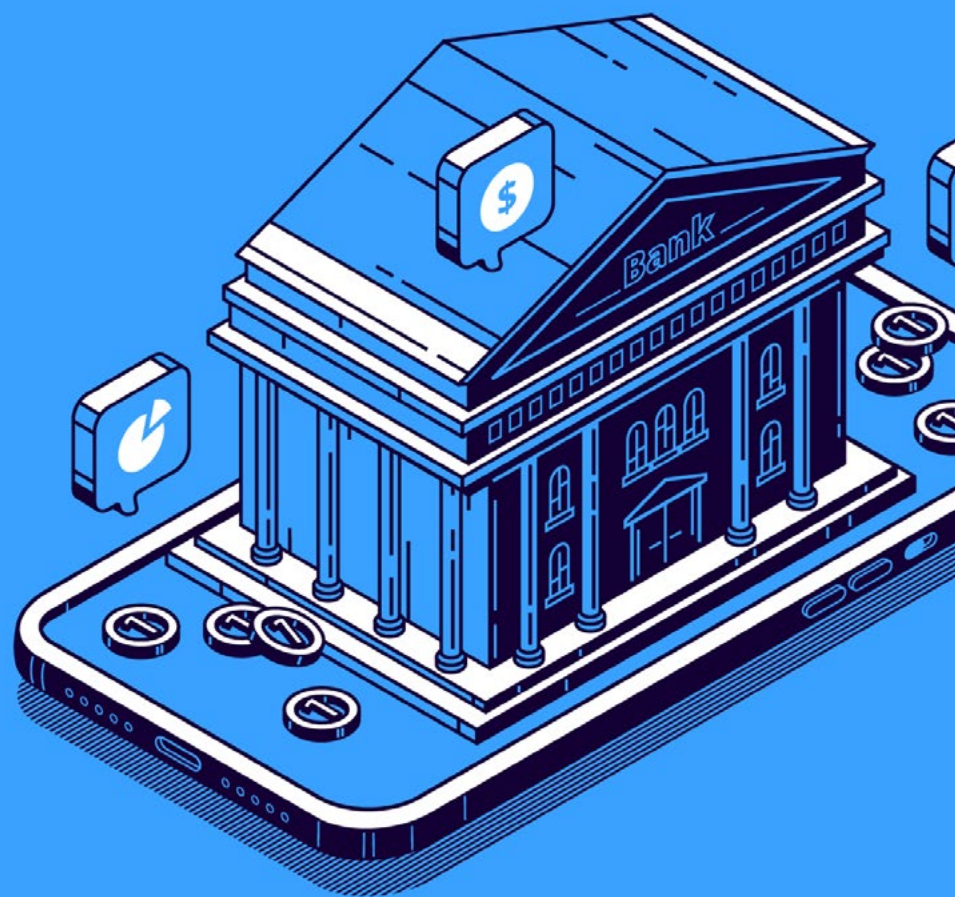
The delivery of proposals on industry reforms is expected before June 2021 and we are optimistic that this milestone will further support the momentum for the many required reforms.

We will particularly step-up engagements with stakeholders particularly Government to align our aspirations with the development plans & deliverables of Government. For this we will continue to count on the support of our numerous partners.

Once again, we thank you all for the support & collaboration in 2020 despite the challenges and look forward to yet another year of milestones.

Wilbrod Humphreys Owor
Executive Director

Basic Banking Sector Trends



	2020	2019	2018	2010	After Currency Reform
	2020	2019	2018	2010	2000
Industry Snapshot	Dec-20	Dec-19	Dec-18	Dec-10	Dec-00
Total assets	38.3 trn	31.9 trn	28.1 trn	11.3 trn	1.85 trn
Total Deposits Ugx	26.8 trn	22.4 trn	19.6 trn	8.0 trn	1.33 trn
Total Loans (See by sector below)	16.3 trn	14.3 trn	12.8 trn	5.5 trn	0.53 trn
Total Treasury Bills/Bonds	10.0 trn	7.1 trn	6.0 trn	3.6 trn	0.33 trn
Total No of Branches	555	580	496	393	143
Total No of ATMs	837	851	766	598	15
Total No of Agents (Agent Banking)	15,716	12,154	7,593	N.A	
Total No of Bank Accounts	17,762,123	15,423,426	12,172,484	6,283,911	
Total No of Staff	17 507	16,866	14,938		
Lending by Sector (amt in Ugx trillions)	Dec-20	Dec-19	Dec-18	Dec-10	Dec-00
Agriculture	1.984	1.924	1.648	0.387	0.052
Manufacturing	1.972	1.850	1.676	0.730	0.210
Trade	3.310	2.752	2.445	1.254	0.107
Transport & Communications	1.004	0.846	0.806	0.442	0.033
Building, Mortgages, Real Estate	3.228	2.899	2.554	1.065	0.024
Personal Loans	2.896	2.660	2.422	0.833	
Services (Education, Health, Social, Community)	1.297	1.220	0.975	0.442	0.096
Other	0.149	0.196	0.145	0.326	0.003
Total	16.281	14.347	12.670	5.480	0.525

UBA Activities 2020



UBA, BOU, FSDU & Laboremus representatives at the media event launching the digital ID verification for Bank Customers Project at the Golden Tulip Hotel Kampala



L-R Mr.Owor ED, UBA, Mr, Twinemanzi , EDS BOU, Mr. Bram, MD Laboremus and Ms. Pillai, ED FSDU after signing of the MOU at Golden Tulip Hotel , Kampala

Introducing Digital ID verification for Bank Customers

Bank of Uganda (BOU), Uganda Bankers' Association (UBA), and Financial Sector Deepening Uganda (FSDU), signed a collaboration agreement with Laboremus, a fintech company to develop a digital ID verification system to be used by all banks and other licensed financial service providers in the country.

The system will interface with and use NIRA's existing records, as well as the National ID card system, to help banks verify the identity of existing and prospective clients in account opening & transaction processing among others. This will offer a secure, multi-factor digital authentication that will be available to all members in the Banking and financial

services sector.

E-KYC is an important development for the licensed financial service providers. The identity authentication processes will be made shorter, reduced costs of previous lengthy manual processes and will facilitate increased reach for account opening particularly to previously unserved & underserved customer segments especially people living in rural areas. Digitizing the customer verification process will simplify customer acquisition. Furthermore, it will be an important building block for enhancement of security for existing electronic channels like agent banking & other innovation within the financial services sector.

Finally, the data and information associated with specific customers or groups can be used to accurately profile them and empower providers to design financial products and services that best suit the financial needs of all, including lower-income earners and encouraging increased usage.

The Association and partners are working to support the roll out of this platform in 2021.

Report on Capacity Building/ Stakeholder Engagements 2020



Ms. Dorothy Ochola, Chair UBA Legal Committee/Head of Legal Standard Chartered Bank addresses participants at the UBA Industrial Court Learning Session.

1. UBA and the Industrial Court facilitates learning session with Banks

In collaboration with the Head of the Industrial court, UBA Secretariat organized a half day capacity building workshop that targeted both the court officials and Banking industry officials (specifically bank resource persons from legal and Human resource departments).

During this session, Justice Ruhinda Asaph Ntengye who was the chief guest, shared key developments in the employment law and expectations from the banking industry. He further advised the banking industry to realign their Human Resource policies to the International Labour Standards originated by the International Labour Organizations to which the government of Uganda is a party and particularly to the employment



Hon. Justice Ruhinda Asaph Ntengye during the learning session that was held at Golden Tulip Hotel in January

Act, 2006. He shared that this would contribute to a reduction in losses arising from unlawful dismissals of the employees.

Justice Ruhinda further called upon Managers in the Banking Industry to be particularly careful and exercise a duty of care since they handle money belonging to others to whom they owe a special fiduciary relationship and because any carelessness or act of omission could cause a great loss to the bank and customers.

The meeting was attended by UBA legal and HR committee members who pledged to continue working closely with the Industrial Court during the process of proposing reforms to the employment Act and positioning Alternative Dispute Resolution (ADR) to deal with Case backlog.

2. Report on cyber security capacity building Workshop



Mr. Albert Saltson, CEO Standard Chartered Bank with other delegates at the Cyber Security Workshop at Golden Tulip Hotel.



Participants during the cyber security capacity building workshop held in January 2020 at the Golden Tulip Hotel.

As technology continues to evolve, cyber threats continue to grow in sophistication and complexity making cyber threats and cyber-attacks a leading concern for bank board members, CEOs, executives and regulators especially in emerging economies.

In January 2020, Standard Chartered Bank Uganda and Uganda Bankers' Association

organized an information and cyber security industry engagement session.

This half day session explored the current global and local trends, the impact Information and Cyber Security (ICS), looked into the increased security awareness and vigilance around cyber threats.

Participants were further equipped with cyber security

knowledge to manage information and cyber security risk to an acceptable risk level based on organizational risk appetite.

This informative session was facilitated by Standard Chartered Teams from South Africa & Nairobi and was attended by bank Heads of Operations, Heads of IT Security, Heads of Compliance, Heads of Risk and Heads of Audit.

The No Merchant Surcharge Campaign

Merchant surcharging has been an illegal practice where additional fees/charges are added onto a stated price or bill for goods or services in the event that a customer opts to use a bank debit card as their preferred choice of payment and is usually levied to a payment transaction when using point of sale devices (POS) or sometimes merchants impose minimum transaction amount as a condition for accepting electronic payment methods. This practice has been detrimental to the growth of electronic payments in Uganda.

In a bid to address this and in response to the BOU directive that was issued prohibiting this practice, UBA partnered with Mastercard and Visa in 2020 to roll out an industry wide campaign that;

1. Raised awareness among the general public about the illegal practice of merchant surcharging and encouraged customers to make payments using their cards through POS at no extra cost.
2. Encouraged merchants to accept electronic payments unconditionally and eliminate surcharges for use of cards as an important component for their business growth

With additional support from UBA member banks, the campaign was executed through engagements on traditional media channels (TV, radio and Print) and digital platforms (social media and webinars).

Furthermore Visa launched a parallel campaign 'sasuzi' that was aligned to the industry wide campaign to promote visa card payments.



The Customers engaged highlighted the challenge of limited POS devices especially in the rural areas stating that they would like to use their cards but are only able to do so when in the urban areas where this infrastructure exists.

Both existing and potential merchants requested for additional capacity building in the areas of POS machine use to be able to enhance their skills and businesses.

The campaign was aligned to the wider industry agenda of promoting digital and other banking applications in an effort to minimize the spread of the COVID-19 virus.

The Association is grateful to partners who provided technical and financial support towards the execution of the initial campaign phase and implementation of the next phase of the campaign will be done in 2021 stakeholder engagement initiatives.



Enhancing the capacity of the Association through the Investment and Stakeholder Engagement Committees

As an Umbrella body, the association continues to value the contribution of stakeholders in the financial services sector.

In September 2020, two (2) committees were constituted to support and strengthen stakeholder engagement and driving of the Investment Strategy for the industry.

1. Stakeholder Engagement Committee chaired by Ms. Anne Juuko (CEO Stanbic Bank) and Vice Mr. Fabian Kasi (CEO Centenary Bank)
2. Investment Committee chaired by Mr. Anthony Ndegwa (CEO NCBA Bank) and Vice Mr. James Onyutta (CEO FINCA)

Both committees are now fully operational and actively engaging and supporting the Association in planning, developing and execution of key investment strategies and

Report on Industry Payments Strategy Retreat Meeting



The Deputy Governor Bank of Uganda, Mr. Micheal Atingi Ego, gives remarks at the UBA Payments Strategy Retreat held in September 2020 at Sheraton Hotel

The payments space today has changed fundamentally with numerous participants and players in the value chain, which calls for mechanisms to cope, adapt, review regulation, consider risk management and many other facets in the eco-system including maximization of reach to the last mile users/beneficiaries

In September 2020, Uganda Bankers association in conjunction with the Central Bank of Uganda and Financial Sector Deepening Uganda, held a one day strategy retreat to take stock of the various developments in the payments space and to dimension/map a direction that the banking industry needed to take in as far as payments is concerned.



Mr. Mathias Katamba, UBA Chairman, Ms. Rashmi Pillai, ED FSDU and UBA ED Mr. Owor at the Payment Strategy Retreat Session at Sheraton Hotel

In attendance were, UBA member Bank CEOs, representatives from National Information Technology Authority Uganda (NITA-U), Mobile Network Operators, International Payment Schemes (Mastercard & Visa), The Fintech Association (FITSPA), Development partners (UNCDF & World Bank), Credit Reference Bureaus, Uganda Registration Services Bureau (URSB), Uganda Communications Commission (UCC) and National Identification and Registration Authority (NIRA) among others.

The following were highlights and recommendations that were shared;

1. The National Payments Systems Act, 2020 provides a good foundation for BoU to exercise its oversight in the National Payment Systems space and ensure the mitigation of systemic

risks and other payments systems risks, the protection of the consumers and ultimately that the systems are safe and efficient.

2. Payments are the gateway to financial inclusion and have also leapfrogged financial services into digitalization. Partnerships and collaborations among players are key in driving innovations and enhancing customer experience. Through these collaborations the parties will be able to leverage on each other's strengths and consequently be able to keep up with the strides already taken in enabling an e-government service delivery through infrastructure development.
3. Discussions are underway on the case for and merits of a national switch that is interoperable and enables various players in the financial services sector to integrate. The Association will work closely with the regulator Bank of Uganda and all partners to evaluate the establishment of a secure, functional and efficient national switch.



CEO Cairo Bank Uganda, Mr. Ahmad Nada and CEO Baroda, Mr. Ray Kumar Meena at the UBA Payment Strategy Retreat at Sheraton Hotel

Strengthening partnership between Financial Institutions and Service Providers

The banking and financial services sector is continuously evolving and aligning to support the changing demography, technology and attitudes in the country. This advancement in the financial services sector aims to help consumers and businesses meet their goals for investment, growth and security.

In addition partnerships between banks and financial technology service providers is critical to building the digital payments and business infrastructure that can improve proximity and bring harder to reach clients into the financial system at potentially lower costs through innovation.

To progress the above agenda, Uganda Bankers Association and Financial Technology Service Providers Association (FITSPA) signed a strategic collaboration agreement in 2020 that will focus on;

1. Driving financial inclusion, innovation in the financial services sector and supporting economic.
2. Promoting innovation, knowledge sharing and professional practices in the development of digital financial services.

In line with the MOU, UBA and FITSPA organized and hosted a Fintech Symposium that facilitated discussions on the implications of the national Payments Systems Bill that has since been passed into law.

UBA ED Wilbrod Owor and CEO InterSwitch Mr. Peter Kawumi signing collaboration MOUs on the 4th February 2020 at the UBA Offices.



L-R UBA ED Mr. Owor, FSDU ED Ms. Pillai, BOU Director NPS, Mr. Aomu, MOFFPED, Mr. Isabirye, CEO InterSwitch Mr. Kawumi, MTN Head Legal & Regulatory Affairs, Ms. Edroma and Citibank Legal Head, Mr. Kalule shared insights on NPS Law at the Fintech Symposium that was held at the Serena Hotel in September 2020.

Islamic Banking in Uganda

In the Financial Institutions Act 2004 amendment done in 2016, the establishment of fully fledged Islamic Financial Institutions was allowed and the existing Financial Institutions were given the green light to offer the Islamic banking alongside their conventional banking services.

The industry has welcomed the introduction of Islamic banking and believe it creates an opportunity for Ugandans to access a wider range of financial options and choice of banking products and services. This will ultimately contribute to an increase in the number of persons who are financially included.

Islamic Banking has and continues to attract a lot of attention from people in Uganda including various bodies that have expressed interest in establishing Islamic Banking entities in Uganda according to Bank of Uganda.

There are four key principles that support this type of banking.

1. Prohibition of payment and receipt of interest

While the conventional commercial banks create value out of the earning of interest, Islamic Banks are prohibited from doing so. Instead, it allows for the engagement in trade and commerce, from which value is created through profits earned. Just like the other banks, Islamic banks make their profits by loaning money to customers. However, where a bank loans with interest, Islamic banks loans through buy-and-sell transactions.

2. Mutuality of risk sharing-profit and loss

Islamic Banks and their customers share the profits or losses in a predetermined and agreed ratio. In case of a bad year, the Islamic bank might not pay a profit share to the customer, whereas a conventional bank is contractually bound to pay customers the interest rate it promised.

3. Prohibition of investment in harmful Businesses

The banking system prohibits the financing of harmful products and or activities as defined by Sharia Law,

and thus Islamic banks cannot therefore finance businesses such as gambling.

4. Prohibition of uncertainty and speculation

There are strict rules in Islamic finance or banking against transactions that are highly uncertain or speculative or that may cause any injustice or deceit against any of the parties.

The Islamic banking system is already in practice in territories around the globe in countries like South Africa, Nigeria, Mauritius, Botswana, Kenya, Tanzania, Rwanda, Senegal, Algeria, Egypt, Sudan and Tunisia.



Update on Bancassurance Business

Four years since it was introduced in Uganda, the growth and adoption of bancassurance is one of the most significant changes in the financial services sector.

Commercial Banks are embracing bancassurance and to-date, there are twenty (20) Supervised Financial Institutions (SFIs) are authorized to carry out Bancassurance business (under life and no-life insurance) in Uganda, having been licensed by the Insurance Regulatory Authority (IRA) Uganda to operate as Bancassurance agents.

According to the IRA presentation made on 26th November 2020, as at end of Q3 2020, Total Gross Premium Written through bancassurance agents amounted to Ugx 52,040,503,077 representing 6.36 % of Q3 2020 industry GWP of Ugx 818,721,983,211. Gross Commission received Ugx 8,216,315,976 at the end of Q3 2020 compared to Ugx 6,538,402,075 over the same period in 2019.

This growth in bancassurance business is attributed to increased awareness in the market of life insurance and entry of banks.

In November 2020, Uganda Insurers Association in partnership with Uganda Bankers Association hosted the 5th Annual Bancassurance Forum under the theme: **Addressing concerns under the current bancassurance regulatory framework; A case of bancassurance to be a strong distribution channel through an effective regulatory framework.**

In attendance, were UBA Member Banks, Insurance Companies and a call was made for various sector players to join efforts in advancement of bancassurance in Uganda as a key distribution channel. Emphasis was on creation of more partnerships between insurers and Banks to ensure accessibility of insurance products, capacity building among others.

At the Inaugural Insurance Innovation awards event that was held in December 2020, two (2) member banks were recognized by IRA under the Most Innovative Bancassurance Agent; Housing Finance Bank and Diamond Trust Bank for their contribution in driving Insurance growth.

In 2021, the Association in collaboration with Uganda Insurers Association will focus on strengthening capacity of the various players through tailored knowledge sharing sessions, engagements with community to better understand bancassurance.



CEO Housing Finance Bank, Mr. Micheal Mugabi receives an award during the Inaugural Insurance Innovation Awards held at the Kampala Serena Hotel in December 2020



CEO Diamond Trust Bank, Mr. Varghese Thambi receives an award during the Inaugural Insurance Innovation Awards held at the Kampala Serena Hotel in December 2020

Strengthening Industry Capacity through a Shared Cyber Security Operations Center

In 2020, the sector witnessed a notable surge in cyber-attacks as the threat actors capitalized on the COVID-19 pandemic to compromise computers and mobile devices with malware, steal credentials and/or execute financial scams. This increased exposure resulted from 3 common factors namely;

- Lockdowns resulting in limited movements and this fuelled a surge in online shopping for example Amazon suspended shipping of non-essential items in favour of household staples and medical supplies and listed 100,000 more delivery jobs.

- The change and rapid expansion of the attack surface as many organizations and business tasks adopted digital alternatives without much preparation, coupled with large scale adoption of work from home technologies.
- Anxiety, fear and panic fuelled by misinformation and fake news that resulted in increased search for pandemic related details online.

In light of the above and the increasing incidences of fraud and cybercrime, member banks resolved to champion the building of cyber-security capability within the industry complete with specialized forensic capabilities to ensure readiness, support proactiveness, detection and incidence management among others that will benefit member banks and related players in the payments and financial space.

In 2020, the Association through its ICT committee held engagements among its members about the establishment of a joint cyber security center that will serve as the trusted point of emergency contact, a central coordination point for joint response to cyber security incidents across the industry, proactively identify and manage cyber threats that may have adverse effect on UBA member institutions, enhance cyber risk management amongst member banks and improve cyber resilience across the industry.

Furthermore, the Association will seek technical and financial support from relevant stakeholders to bring alive this initiative in 2021.

ICAMEK unveils a 3 Year Strategic Business Plan

In 2018, the International Centre for Arbitration and Mediation in Kampala "ICAMEK" was registered as a company limited by guarantee to serve as a complimentary independent Arbitration and Mediation Centre and offer a platform as a preferred centre for Alternative Dispute Resolution (ADR) in Africa providing relevant and distinctive ADR services responsive to the evolving needs of all stakeholders on the African Continent.

Following its official launch in 2019, ICAMEK commenced its operations by offering trainings for arbitrators and mediators who will support it in execution of its performance roles.

The ICAMEK Team also embarked on development of a three (3) year strategic business plan, which was officially launched on 16th November 2020 by the Deputy Chief Justice Richard Buteera at the Protea Hotel Kololo. The launch event was attended by representatives from Private Sector Institutions, Judiciary, Banking sector and Legal fraternity.

ICAMEK's strategic business plan objectives over the next three years include;

- To deliver quality ADR services to enhance customer confidence as well as establish a data base of accredited ADR practioners to ensure world class services
- To mobilize a financial mobilization strategy to support the Centre's growth
- Build a skilled, credible and ethical pool of arbitrators/mediators with diverse professional specialties and ability to handle various sectoral disputes
- Strengthen relationships with key stakeholders and strategic partners in promoting the use of ADR Services
- To promote public awareness in utilization of ADR



The Deputy Chief Justice, Hon. Richard Butera receives a copy of the ICAMEK 3 Yr. Strategic Plan from Mr. Francis Gimara, Board Member ICAMEK at Protea Hotel Kololo on 16th November 2020



Invited Guests pose for a picture with the ICAMEK Board and Secretariat at the launch event held at Protea Hotel in Kampala



IFC International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

Capacity Building initiatives for UBA Members and their SME Clients

As part of the support in response to the COVID-19 pandemic, UBA partnered with IFC and delivered a series of stress testing webinars that were designed to provide Banks & Microfinance Finance Institutions as well as their Small and Medium-sized Enterprise (SME) clients with knowledge, tools and techniques to help build financial resilience through the COVID-19 crisis.

The webinars targeted eight (8) participants per financial institution comprising the Chiefs of Risks, Finance, Operations, Credit and Compliance and was facilitated by IFC Risk Specialists.

The small and medium sized enterprise clients of UBA Member Banks benefited from capacity building sessions that lasted 6 weeks and enhanced their knowledge to manage their businesses during crises such as COVID-19 and ensure business continuity.

Through this partnership, a survey to assess the impact of COVID-19 was conducted with business owners and 941 Ugandan SMEs (27 percent women led) were interviewed across the country. About 57 percent of the interviewed businesses are located in the capital district of Kampala. The largest proportion of interviewed SMEs (30 percent) are engaged in the retail and wholesale trade

industry with the remaining businesses being active in a variety of other fields.

This survey revealed that 89% of business had reported a decrease in turn over, two thirds of the SMES experienced lower demand for their products and services as a consequence of the pandemic, 90% stated that they had received bank support with restructured loans being the most important support.

As part of the recommendations from the survey, the MSMEs are still in need of additional financial support in form of tax breaks from government, further restructuring of loans and short-and long term financing from financial institutions.

UBA is grateful to IFC for the partnership.

Dialogue on policy approaches & Initiatives to address challenges of high interest rates

The Association participated in a policy seminar that was organized by Bank of Uganda and the International Growth Center (IGC) under the theme:

Why are lending rates high in Uganda?

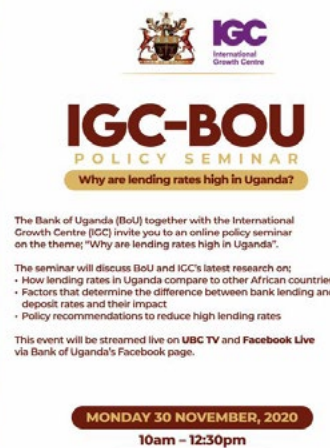
The engagement facilitated in-depth discussions of the findings of a research assignment that had been undertaken by IGC on determinants of interest rate spread, which revealed that interest rate spreads are relatively high in Uganda for a variety of reasons such as high overhead costs, high interest rates on government bonds and high levels of bank capitalization and profits.

The panelists for this policy seminar were;

1. Mr. Keith Muhakanizi (PS/ST-MOPPED)
2. Mr. Wilbrod Humphreys Owor (Uganda Bankers' Association)
3. Mr. Gideon Badagawa (PSFU)
4. Mr. Everest Kayondo (KACITA)

The following recommendations were made in support of addressing the concerns raised about high lending rates;

- Encouraging the consolidation of smaller banks and driving internal efficiency.
- Sharing of infrastructure so as to minimize costs of operations.
- Reducing government borrowing and improving risk assessment in the longer term.
- Promoting regional financial integration across the East African Community.
- Developing a market for non-bank alternative sources of capital.



Uganda Securities Exchange & Uganda Bankers Association host Webinar

Uganda Securities Exchange in partnership with Uganda Bankers Association & Certified Financial Analysts (CFA) Society East Africa hosted a webinar that focused on highlighting the role of capital markets in addressing high bank rates.

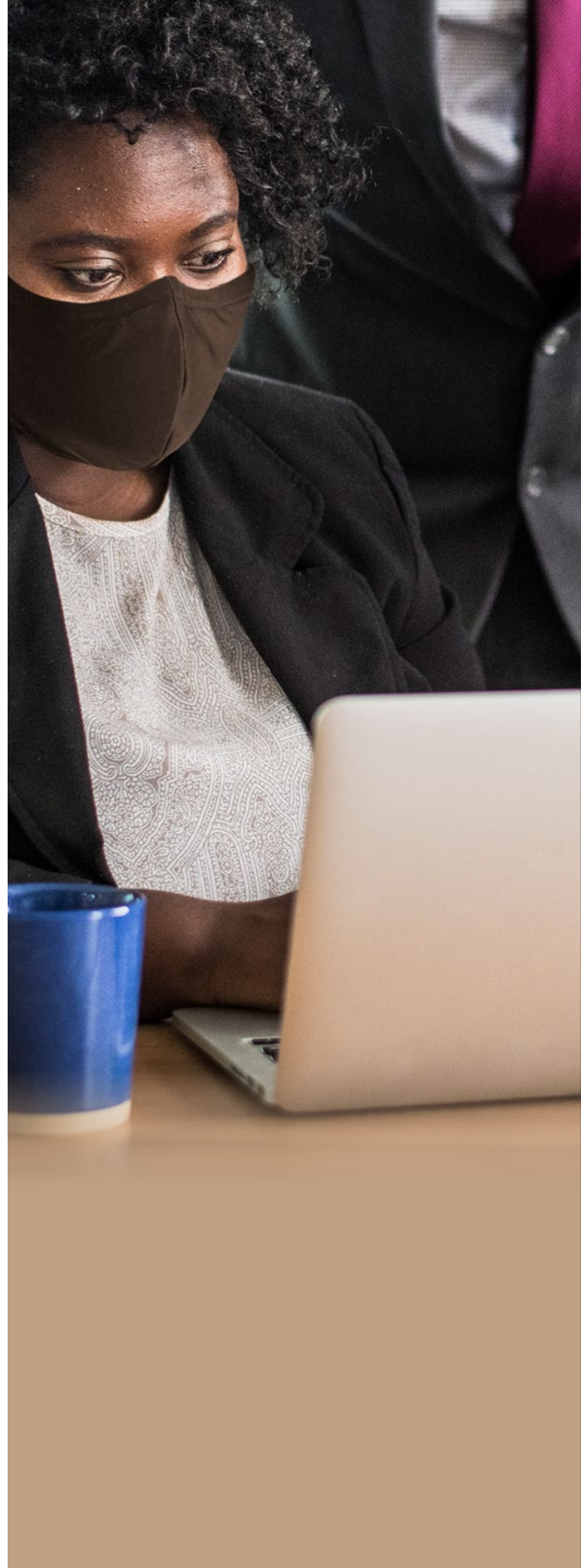
The panelists comprised;

- Ms. Mariam Nansubuga Makubuya- Vice President, CFA Society
- Mr. Simon Rutega- Adviser FMDC, Bank of Uganda
- Mr. Wilbrod Humphreys Owor- Executive Director UBA
- Mr. Robert Baldwin- Chief Executive Officer , Crested Capital
- Mr. Paul Bwiso- Chief Executive Officer, Uganda Securities Exchange (USE)

The discussions provided useful insights on long term affordable financing solutions for the market to foster better pricing of credit and emphasized the need to enhance capital markets development by fostering partnerships between the banking sector and the capital markets.

The recommendations made at the webinar included;

1. Capital markets need to partner with financial institutions when conducting due diligence for any company looking to raise capital through the Exchange. This way Financial Institutions can raise money from this and Capital Markets can rely on the expertise of the Financial Institutions. This could also inform a reduction in lending rates for any company that eventually lists and lastly digitization to curb the operating costs which have a significant impact on the lending rates charged.
2. Well-functioning capital markets would play a good intermediation role to provide long term financing for banks. A well-developed capital markets would cushion interest rates heavily, provide the necessary long term patient capital and provide the appropriate modalities that are needed for better pricing.
3. The Association is currently working with BOU and other stakeholders around reforms and collaboration efforts to manage the issue of operating costs. This is being done through shared digital platforms, championing dispute resolution to deal with the case backlog & by extension capital locked up in litigation and ways of handling NPLs through the asset reconstruction company.
4. A well-coordinated and holistic financial eco system would be critical in bringing down the cost of credit in this market. Banks listing in the stock market, diversifying capital sources such as venture capital, market moves from credit reports to credit scoring.





Report of findings from the Total Tax Contribution & Economic Impact Measurement Survey for the Banking Sector in Uganda

In 2020, Uganda Bankers Association contracted PricewaterhouseCoopers to perform a Total Tax Contribution and Economic Impact Measurement (TTC) survey for its member banks and aimed to document the banking sector’s socio-economic footprint, total tax contribution and the key drivers to the cost of borrowing.

29 UBA member Financial Institutions participated in this survey and provided data on their taxes borne and taxes collected, the composition of their shareholding (local & foreign), their investment in human capital and the community, and sectoral expenditure on goods and services for the year ending 31 December 2019.

Findings of the study included;

1. The total tax contribution of the banking sector was UGX 3,886 bn as at 31 December 2019. This was made up of UGX 3,246 bn (84%) in taxes collected and UGX 639 bn (16%) in taxes borne.

2. In terms of Corporate Social Responsibility (CSR), a total of UGX 8,258bn had been spent on various community initiatives; UGX 7.4bn in the services sector, education, health and financial literacy) and 0.9 bn on agriculture, forestry and fishing.

3. According to data collected, the banking sector financing to special interest groups such as the Youth, Women, SMEs and SACCOS stood at UGX 6,308bn as at 31 December 2019.

4. 48.2% of the survey respondents noted that the Central Bank Rate (CBR) has a minor or no direct influence on pricing of their bank loan products.

The Survey results further showed that government interventions are required to address external drivers of the cost of doing business, bank –specific factors also play a significant role in the determination of the cost of lending in Uganda.

Indeed, several Uganda banks have embarked on a journey that has led to lower operating costs and lower costs of lending. However, there are still many variables, and a concerted effort is required to address more effectively the challenges, drivers and bring down operational costs and to reduce credit risk, processes and supporting infrastructure.



Report on Shared Agent Banking

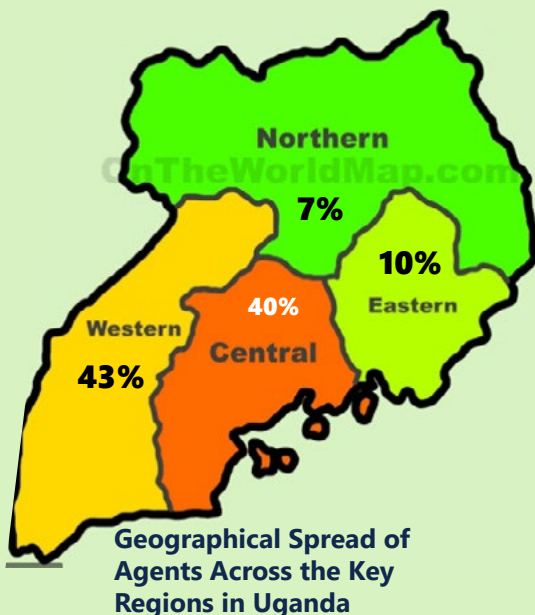
Three years since it was rolled out in Uganda, the Shared Agent Banking System is one of the most significant initiatives in the financial services sector, facilitating customers to access a range of financial services through the bank agent network growing tremendously as financial institutions enroll more and more agents.

At as end of 2020, nineteen (19) supervised financial institutions were fully integrated on the shared agent banking interoperable technology platform with 10,600 authorized agents able to serve customers of the 19 institutions across the country.

SFIs connected & live on the Shared Agent Banking Systems (SABS)



Currently, the services provided through the shared agent banking system include cash deposits, cash withdrawals (card-based and cardless), bill payments, school fees payments, National Social Security Fund, Local Remittances and inter-bank transfers among others.



A Shared Agent in Bugiri District, Eastern Region of Uganda



A customer at a Shared Agent Location in Bugiri District, Eastern Region of Uganda

As a result of the national lockdown that was declared by the government of Uganda to minimize the spread of COVID-19, the services on the Shared Agent Banking network were interrupted in certain locations especially where agents were not able to access the bank branches for purposes of rebalance and float. This ultimately affected transactions and revenues. However, where agent outlets were operational, customers were able to conduct basic transactions such as cash withdraws deposit and utility payments.

With financial support from development partners GIZ and aBi, media promotions, market visits and capacity building sessions were conducted and provided technical support to help agents revive/ resume their respective businesses and encourage customers embrace & utilize the shared agent banking services.



Agents during a capacity building session in Mbarara District, Western Region of Uganda

Currently, deposits dominate the transactions on the Shared Agent Banking System and school fees payments. There is a notable increase in the transactions processed through the platform and this has also helped reduce the crowds in the banking halls considering the COVID-19 pandemic and social distancing requirements.

financial institutions to benefit significantly from the reduced cost of expansion through collaborating on a relatively unique concept, and that has provided benefits to the stakeholders involved. The shared agent banking network has enhanced employment opportunities that provide an extra source of livelihood for local business owners.

Overall, the shared agent banking system has proved to be resilient and sustainable amid the challenging economic times and is a great innovation for Uganda's financial sector. It has been critical in the country's journey to attain deeper financial inclusion; enabling

Efforts are underway to enhance the system more, enroll additional agents and expand the agent network across the regions of the country, drive continuous sensitization to encourage the population to embrace the agents and services offered in their respective communities.



Corporate Social Investment Report

Industry Response and Support towards COVID -19 Pandemic

The Coronavirus Disease (COVID -19) was declared a pandemic by the World Health Organization. The outbreak was declared a public health emergency/pandemic of international concern on January 30th 2020 and has been fatal in several countries including mainland China which was the epicenter, Europe, several Asian countries, United States and now Africa with combined deaths reported in thousands.

The banking & financial services industry developed a response framework for COVID 19 that included business continuity plans and a host of measures structured along the following lines addressing among others the following;

- a) Precaution guidelines for: (Staff, Customers, Business)
- b) Guidelines for financial institutions (to limit/minimize impact/ and manage business continuity in case of an outbreak.
- c) Outlook: Potential business & economic impact and interventions required.
- d) Continuous Engagements with the regulator & other stakeholders.
A committee was further constituted to coordinate and manage a fundraising drive as well as consider & recommend specific support & intervention areas for COVID-19.

The committee was accordingly constituted as follows.

- 1. Ms. Sarah Arapta**
CEO Citibank Chair.
- 2. Ms. Veronicah Namagembe**
CEO Pride MFI
- 3. Mr. Shem Kakembo**
CEO EFC Uganda
- 4. Ms. Harriet Kasirye**
Head Marketing & Corp Relations
Absa Bank
- 5. Ms. Patricia Amito**
Head Communications & Corporate
Affairs UBA
- 6. Mr. Wilbrod Owor**
Executive Director UBA

From the fundraising drive, a total of sum of Ugx 440, 000,000/= (Four Hundred forty Million Uganda Shillings) was mobilized and made available by UBA Members Banks and the Deposit Protection Fund to respond to calls of support from Government towards COVID-19.

After careful evaluations, the committee recommended the two (2) areas for support/contribution/intervention from the funds mobilized from members & DPF.

- 1.** Personal Protective Equipment to the health workers at the frontline in this effort against COVID-19.



UBA chairman hands over contribution to minister of health Dr Ruth Aceng

- 2.** Financial support to Makerere University Dept of immunology & molecular biology, College of health Sciences who are in advanced stages of producing rapid test kits for COVID-19.

The above recommendations were premised to the need to protect an estimated 25,000 health workers under the ministry of health who are directly exposed in this fight as frontline soldiers and facilitating about 53,000 tests.



The PS Ministry of Health Dr Diana Atwine receives PPE from UBA's Head of Communications.

The other reason is to support enablement of rapid test capabilities that if distributed to the health centers across the country could assist in addressing the shortage/gaps and by extension boost screening, detection & management therein of COVID-19 cases as appropriate.

UBA Member Bank CSR

Diamond Trust Bank Uganda



The Speaker of the Parliament of Uganda, Right Hon. Rebecca Alitwala Kadaga with representatives from Diamond Trust Bank Uganda and the Indian Women Association of Uganda.

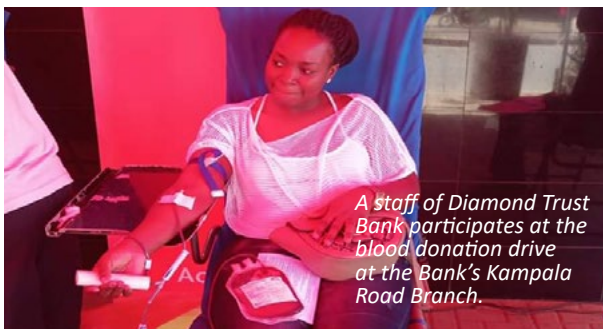
Diamond Trust Bank Uganda in conjunction with the Indian Women Association of Uganda put a smile on the faces of the less privileged Ugandans whose hands & legs were amputated by providing them with free artificial limb fitment services that were carried out at Mulago Hospital Kampala by experts from India. Over 550 people benefited and the occasion was inaugurated by the Right Honorable Rebecca Alitwala Kadaga the speaker of the Ugandan Parliament, who appreciated everyone for the contribution towards this noble cause.

Dr. Orowotho Nobat the Orthopedic head at Mulago Hospital said that the initiative would not only benefit those living with disabilities but also the Ugandan technicians who will learn from Indian experts in the due course



Mr. Varghese Thambi (MD) and Mrs. Mbabazi Emejeit (Company Secretary) handing over the cheque at the prime minister's office in Kampala in April, 2020.

Diamond Trust Bank Uganda made a donation of UGX 250 Million to the National Response Fund aimed at supporting the Government of Uganda in the fight against the Corona Virus pandemic.



A staff of Diamond Trust Bank participates at the blood donation drive at the Bank's Kampala Road Branch.

The Bank responded to the call from Nakasero blood bank to power a blood donation drive to save lives of many patients with severe anemia as a result of accidents, surgical operations, malaria, child birth and sickle cell. The blood bank was facing a lot of blood shortages especially in this period where the major donors (students) were home due to the lockdown arising from covid-19 pandemic. In a 3 days campaign over 200 units were collected.



Guaranty Trust Bank

Guaranty Trust Bank Bank made a contribution of Ugx 1,000,000 (Uganda Shillings one million) to the Nigerian Community in Uganda. This contribution went towards office rent as well as insurance cover for all Nigerians registered with the community.

NCBA Citizenship activities

In line with the NCBA brand promise of inspiring greatness and the areas of its Citizenship thematic focus on Financial Inclusion, Youth Education & Enterprise, Environment & natural resources and Preventative health & wellness, the bank participated in citizenship activities in the month of December 2020 under the theme 'Season of Giving'.

During this month the staff visited five (5) Community Based Organisations (CBOs) which included; Baylor College School of Medicine, The Reminant Generation, Kiswa Primary School, Watoto Children's Village Biira and Kigo Womens Prisons.



The staff delivered basic utilities such as Boxes of soap, sacks of rice, sugar, powdered milk, pampers and much more to members of these institutions including facilitating financial literacy sessions that encouraged the people to save and think of starting small businesses for a brighter future.

Standard Chartered Bank Uganda

Working through Partners to provide COVID 19 support to various communities

In line with the Bank's brand promise – Here for good, since the outbreak of the COVID 19 Pandemic, Standard Chartered Bank has supported its staff, clients and wider community to fight the devastating impact of COVID 19 through donations worth over Ugx 1.6 billion in 2020 and in partnership with organizations such as UNICEF Uganda, Brac Uganda and ChildFund International Uganda;

UNICEF Uganda received a donation of USD 300,000 (approx. Ugx 1,110,000,000) that was utilized for the immediate protection and education of vulnerable children through the provision of remote education via TV, radio, online and mobile platforms and child protection measures, including alternative care arrangements and family tracing services for children separated from their families due to COVID-19, training of social workers to conduct home visits to vulnerable children for mental health support, and alternative care and protection services for children of parents or caregivers affected by COVID-19.

A donation of USD 45,000 (approx. Ugx 171,000,000) was given to BRAC Uganda for mental health support for GOAL girls, provision of PPE materials including screening thermometers at GOAL clubs as well as provision of wash hand facilities. Standard Chartered launched the GOAL project in 2014 covering several districts in central & Western Uganda. The program is implemented through over 217 established clubs which meet regularly with full time sessions for the non-school going girls as well as after school sessions for the school going girls. The program is delivered using a GOAL curriculum covering 5 modules. The Bank further rolled out an entrepreneurship program for 250 GOAL girls which provided entrepreneurship skills training, seed capital and a kit for girls after successful completion of the GOAL program.

ChildFund International Uganda Office received a donation of USD 35,000 (approx. Ugx 133 million) that supported increased availability and access to measures that contributed to a reduction in the risk of COVID-19 transmission among the urban communities of Kampala and Wakiso districts. Information, Communication and Education materials (IECs) on key prevention measures were produced in the form of durable posters that were displayed at public places, and radio spot messages. Selected public places with large congregations of people received hand washing facilities comprising of 10-liter hand washing tanks with elbow operated taps and liquid/solid soap to promote hand washing. This project was implemented in the outskirts of Kampala City, specifically in Nakawa, Lubaga, Makindye divisions and Kireka and Gayaza in Wakiso districts and targeted a total of 7,000 direct and 5,000 indirect participants.



Albert Saltson, CEO Uganda hands over a COVID donation cheque to Dr. Doreen Mulenga, UNICEF Representative to Uganda



Regina Mukiri hands over a cheque to BRAC's Dr Matete Owuor



Regina Mukiri hands over a donation to Childfund international

Absa Bank



EpiTent Mbarara Handover

For Absa Bank, Citizenship is a strategic centre of excellence that develops the business socio-economic strategy with a commitment to play a shaping role in society by becoming an “active for good” The bank strives to make a difference in people’s lives by supporting initiatives through their three pillars of education and skills development, enterprise development and financial inclusion.

In light of the proliferating number of unemployed youth, Absa Bank Uganda Limited through its Citizenship programmes seeks to curb the crisis through promulgating shared growth focusing majorly on; education and skills, enterprise development as well as financial inclusion.

Under the education and skills pillar, Absa bank in partnership with E4D GIZ in Uganda continued to roll out the ReadytoWork programme; an employability skills training programme for youth and to provide internship/work exposure opportunities under member companies of Uganda Manufacturers Association (UMA).

As part of the enterprise development interventions to enable a strong and diverse small business sector by nurturing aspirant entrepreneurs and helping existing small businesses grow, Absa Bank partnered with the International Finance Corporation in 2020 to train over 163 Ugandan SMEs in the assessment of business risks and assist them in adopting more resilient and sustainable business models in the face of the pandemic.

In line with the bank’s commitment to being an active force for good in the community, Absa Bank Uganda last year supported the Kilembe Mines Hospital administration following the heavy floods in the area by providing medical equipment, supported the government of Uganda in remedying the effects and fighting the spread of COVID-19 respectively by donating EpiTents and Personal Protective Equipment (PPE) to the Ministry of Health to support front line workers enabling us play a positive role in strengthening the healthcare services in the country. In addition, the bank made donations to You Belong Uganda, CORSU Rehabilitation Hospital, CURE Children’s Hospital of Uganda, The Forum for South African Businesses in Uganda (FOSABU) and Baylor Uganda.

Absa colleagues reached out to the vulnerable in their communities through the “Absa we care” initiative where PPE was procured for Masaka hospital and relief items provided to five organisations including Katalamwa Cheshire, SOS Children’s Villages Uganda among others upcountry organisations looking after vulnerable children and youth across the country.



Kilembe Mines Donation

dfcu Bank CSR Activities 2020



Child Heart receives a contribution of UGX 3m in cash and sanitary as part of the Keep a girl in school Initiative



dfcu makes UGX100m contribution to National COVID response efforts

The COVID-19 pandemic presented yet another opportunity for dfcu Bank to make good on its Corporate Social Investment (CSI) commitments in 2020. At an institutional level, the Bank's main CSI initiatives were in direct response to the pandemic with the bank making a cash contribution of UGX 70,000,000 and assortment of items valued at UGX 30,000,000, towards efforts in improving sanitation hygiene in line with COVID-19 interventions.

As part of the philanthropic staff culture, dfcu employees raised funds to support select community projects. In 2020 some of the interventions included keeping girls in schools and a fundraising drive for the repair of the roof at Sanyu Babies Home. With a penchant for supporting vulnerable children the Financial Markets team, in early 2020, extended support to the Uganda Society for Disabled Children

(USDC) by providing twelve (12) standing frames making it possible for the children to have a chance at mobility. In December, the focus shifted to institutionalized children at the Sanyu Babies Home (SBH). The team contributed a total of UGX 5,150,000/= towards the refurbishments of the 91 year old leaking roof of Sanyu Babies Home to ensure better shelter for the children.

Three hundred school going girls from twelve (12) different schools in Pallisa district had a chance at staying in school for a term thanks to efforts by dfcu Bank employees who contributed sanitary materials as part of the dfcu 'Keep a Girl in School' internal campaign. Over seventy-five (75) cartons of sanitary towels and a cash donation of UGX 3,250,000 towards the skilling program in the production of reusable sanitary materials were handed over through Child Heart Uganda a Non-Profit Organization in Pallisa District.



dfcu Staff supports Sanyu Babies home in raising funds to fix leaking roof



Staff donate 12 standing frames to Uganda Society for Disabled Children (USDC)

Centenary Bank

Covid-19 Support

Ensuring healthy lives and promoting the well-being for all ages is essential to sustainable development. The Bank supports initiatives that improve the health and wellbeing of communities.

In 2020, we registered a formidable increase in health spend considering the challenges brought forth by Covid-19. We reached out to 16 health facilities across the country that were supporting Covid-19 patients. The Bank donated protective equipment namely; face masks, gloves, hand sanitizers and transport facilitation for the medical teams in upcountry districts. Among the hospitals that were supported include: St. Francis Mutolere Hospital in Kisoro, Holy innocents Hospital NYamitanga in Mbarara, Kagongo hospital in Ibanda, St. Kizito Matany Hospital, St. Anthony Hospital Buluba, Kamuli Mission Hospital, Nkozi Hospital, St. Joseph's hospital, Kitovu, Nsambya Hospital, Rubaga Hospital, Lacor Hospital, Nyapea Hospital Paidha, Hoima referral Hospital, Buhinga Referral in Fortportal, St. Ambrosoli hospital Kalongo, Entebbe Hospital and Jinja Hospital.

This intervention saw the health support figures rise from 18% to 38% from the previous year with a spend of 210m.



Centenary Bank leadership Team hand over Covid-19 contribution to the Minister for General Duties, Hon. Mary Busingye Karooro Okurut.



MD Centenary Bank, Mr. Fabian Kasi, left, hands over the Bank contribution to the Rotary Cancer Run 2020 leadership Team, led by Mr. Stephen Mwange & Rosette Nabbumba

Bridging the Cancer Gap

Even amidst Covid-19, for the 9th year running, the Bank continued to execute the 'Bridging the Cancer Gap' Initiative with our partners Rotary District 9211 and St. Raphael hospital, Nsambya. This program promotes awareness of Cancer, prevention, and treatment. As opposed to other runs where masses come together to participate, this year was different with every individual participating virtually from their locality but still contributing to one common cause. Runners and well-wishers also purchased

face masks and made humble donations as each deemed fit.

At the climax of the awareness drive, a live link was shared for the online audience that attracted 3.5m attendees online. A total of Ugx. 100m was raised that shall go towards the construction of the Bunker at Nsambya Hospital. We take pride in our partners that have spearheaded this cause over the years, the Rotary clubs, the community leaders and people who have relentlessly supported the project in one way or another.



Youth undergoing a financial literacy session facilitated by Dr. Matama Rogers

Financial Literacy

Education is one of the most important investments a country can make in its future and its people. It removes barriers in the economy by allowing for greater equality of opportunity, thereby opening up access to a better life for all. Centenary Bank's role in contributing to this includes the Financial literacy sessions that continue to take considerable attention of our CSR interventions, being in the Financial industry. We continue to grow our customers from one level to another with financial knowledge. In 2020 we had a total of 13 Trainings carried out in the Dioceses of Masaka, Soroti, Arua, Gulu, Kabale, Jinja, Nebbi, Tororo, Kasese, two trainings in Mbarara and two trainings in Kampala. These trainings were aimed at equipping the clergy with knowledge and skills to manage church projects like schools, hospitals and income generating activities.

We also continue to grow our engagement with the village savings and loan associations (VSLAs) that speak to our Mission critical portfolio. The impact has been immense with growth of 21% from 10,004 members trained in 2019 to 12,135 members in 2020. This could not have been possible without our partners like Goal Uganda, European Investment Bank, USAID and BOSCO Uganda, who have been instrumental in teaching and financial support. The project has scaled up to cover 25 localities from 16 across the country in Central, Northern, East, and western regions.

(R-L)Cairo Bank Uganda's Managing Director, Mr. Ahmad Maher Nada together with the Executive Director, Mrs. Sylvia Jagwe hand over Personal Protection Equipments (5,000 pieces of KN95 masks, 40 Automatic sanitizing dispensers and 400 Liters of alcohol based sanitizers) worth Ugx.100Million to Mr. Patrick Ssekimpi, Head of Orthopedics Department at Makerere School of Health Sciences as part of the Bank's CSR strategy of promoting health in a way of mitigating chances of contracting the virus amongst students of Makerere School of Health Sciences



Citi Bank

Citi's donation of UGX270 million helps local surgery in global pandemic



When Entebbe Hospital had to focus on dealing with covid-related care only, non-covid patients in the area were left without a local emergency surgery option. The Ministry of Health along with Citi and Joint Medical Stores found a way to operationalise a new theatre at Kajjansi Medical Centre. Citi's contribution of UGX270 million in medical equipment to the more conveniently situated Kajjansi theatre will enable the theatre continuously serve people needing medical care long after the pandemic.

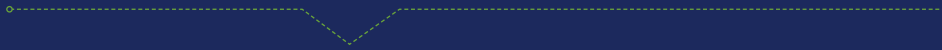
Citi community focus keeps with precedent in unprecedented times



In 2020, Citi committed more than UGX50 million to Home of Hope in Kamuli by delivering sustainable income-generating and nutrition-enhancing projects, which included a dairy initiative to provide milk supply and income to the home. The effort was part of Citi's 15th Annual Global Community Day, which, in spite of the pandemic, saw thousands of Citi employees and their families come together locally and globally to champion local community development, financial inclusion, job creation, and more.

Uganda Bankers' Association **Annual Report and Financial Statements**

31 December 2020



Uganda Bankers' Association Annual Report and Financial Statements For the Year Ended 31 December 2020

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Uganda Bankers' Association Annual Report and Financial Statements For the Year Ended 31 December 2020

Organization Information

Incorporation

Uganda Bankers Association (UBA) was started out as a Non-Governmental Organisation and later developed into a company limited by guarantee. Founded in 1981, Uganda Bankers' Association (UBA) is an umbrella organization for financial institutions licensed and supervised by Bank of Uganda. UBA was established in 1981 and is currently made up of 36 members comprising 25 Commercial Banks, 2 development banks (Uganda Development Bank & East African Development Bank) and 9 Associate Members comprising Tier 2 & Tier3 Financial institutions.

UBA's mandate among other things includes the promotion, protection, representation and development of the professional and business interests of members. This also includes fostering orderly conditions within the banking industry subject to the laws prevailing at any time in Uganda.

The objectives of UBA include;

- Develop and maintain a code of ethics and best banking practices among its membership.
- To encourage & undertake high quality policy development initiatives and research on the banking sector, including trends, key issues & drivers impacting on or influencing the industry and national development processes therein through partnerships in banking & finance, in collaboration with other agencies (local, regional, international including academia) and research networks to generate new and original policy insights.
- To develop and deliver advocacy strategies to influence relevant stakeholders and achieve policy changes at industry and national level.
- To work closely with the regulator BOU and other non-bank financial institutions & organizations in promoting financial sector growth, through training, development of products, technologies & initiatives to promote financial sector growth.
- To promote and represent the professional interests of its members

EXECUTIVE COMMITTEE

Mr. Mathias Katamba : Chairman
Ms. Sarah Arapta: Vice Chairman
Mr. Varghese Thambi: Hon. Treasurer
Mr. Sam Ntulume: Hon Auditor
Mr. Albert Saltson: Committee Member
Ms. Veronicah G. Namagembe: Committee Member
Mr. Wilbrod Owor: Executive Director

REGISTERED OFFICE

Plot No. 2702, Block 244 Nyangweso Road
 P O Box 8002
 Kampala, Uganda

INDEPENDENT AUDITOR

Deloitte & Touche
 Certified Public Accountant of Uganda
 3rd Floor, Rwenzori House
 1 Lumumba Avenue
 P O Box 10314
 Kampala, Uganda

Uganda Bankers' Association
Annual Report and Financial Statements
For the Year Ended 31 December 2020

Organization Information(Continued)

PRINCIPAL BANKERS

Bank of Baroda (Uganda) Limited

Plot No. 18, Kampala Road
P O Box 7197
Kampala, Uganda

NCBA Bank Uganda Ltd

Rwenzori Towers, Nakasero Road
P O Box 28707
Kampala, Uganda

Absa Bank Uganda Ltd

Plot 4 Hannington Road
P.O. Box 2971
Kampala, Uganda

United Bank for Africa

Jinja Rd Branch Plot 2,
Jinja Rd, Kampala, Uganda

SOLICITORS

Ms. Kateera & Kagumire

Stanbic Chambers
P O Box 7026
Kampala, Uganda

Uganda Bankers' Association Annual Report and Financial Statements For the Year Ended 31 December 2020

Executive Committee Report

Introduction

The Executive Committee submits its report and the audited financial statements for the year ended 31 December 2020, which discloses the state of affairs of Uganda Bankers' Association ("the Association").

Principal activity

The principal activity of the Association is the protection, representation and development of the professional business interest of its members.

Vision, Mission and Values

Vision: "A strong, vibrant and respected financial services industry in the East African region"

Mission: "To promote a sound banking environment through research and innovation, advocacy, good governance and best practices."
Values: "Integrity, Transparency, Professionalism, Good Governance, Teamwork and Service Excellence"

Strategic objectives 2019-2021

A: Consolidating & enhancing the achievements of the strategy period 2016-2018 which included:

- SOA1: To strengthen the capacity of UBA to achieve its three-year strategic plan
- SOA2: To enhance wider stakeholder engagement to promote financial services sector priorities
- SOA3: To broaden UBA funding base to achieve financial sustainability
- SOA4: To enhance visibility of UBA to play a supportive role in the banking and wider sector in the economy.
- SOA5: Promoting research and innovation in the industry.

B: Expanding the role & contribution of Banking in Uganda.

SOB1: Championing initiatives intended at driving down the average industry cost of delivering financial services in Uganda. (lower cost income ratio as measure of efficiency).

SOB2; Championing the growth, development & adoption of robust, 24/7, secure, integrated multi-channel digital infrastructure required to transform the industry & harness financial service opportunities in intermediation, credit & payments space.

SOB3: Championing initiatives to promote financial inclusion, penetration of banking services, participation by the banking industry in key national projects driving the economy and overall expansion and leadership in the financial services sector.

EXECUTIVE COMMITTEE

- Mr. Mathias Katamba: Chairman
- Ms. Sarah Arapta: Vice Chairman
- Mr. Varghese Thambi: Hon. Treasurer
- Mr. Sam Ntulume: Hon Auditor
- Mr. Albert Saltson: Committee Member
- Ms. Veronicah G. Namagembe: Committee Member
- Mr. Wilbrod Owor: Executive Director

Uganda Bankers' Association Annual Report and Financial Statements For the Year Ended 31 December 2020

Attendance of Executive Committee meetings:

The duties and responsibilities of the Board are exercised through the discussions and decisions that are reached during the following meetings that took place during the year.

		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	% SCORE
1	CHAIRMAN	√	√	√	√	√	√	√	√		√	√		10	91%
2	VICE CHAIRMAN	√		√	√		√	√				√		6	55%
3	HON. TREASURER					√	√	√	√	√	√	√		7	64%
4	HON. AUDITOR						√	√	√	√	√	√		6	55%
5	Committee Member	√		√	√	√	√		√		√	√		8	73%
6	Committee Member						√	√	√	√	√	√		6	55%
7	EXECUTIVE DIRECTOR	√	√	√	√	√	√	√	√	√	√	√		11	100%

Total number of meetings held: 11

*** The Treasurer, Hon Auditor and one committee member joined the executive in May 2020.

Uganda Bankers' Association

Annual Report and Financial Statements

For the Year Ended 31 December 2020

Report of the Executive Committee

The executive committee submit their report and the audited financial statements for the year ended 31 December 2020 which disclose the state of affairs of the Association.

PRINCIPAL ACTIVITY

The principal activity of the Association is the protection, representation and development of the professional business interest of its members.

RESULTS	2020	2019
	Shs`000	Shs`000
Operating (deficit)/surplus	(72,799)	(289,148)

EXECUTIVE COMMITTEE

The executive committee who held office during the year and at the date of this report are shown on page 2. In accordance with the Association's Articles of Association, no executive committee member is due for retirement by rotation.

INDEPENDENT AUDITOR

Deloitte & Touche, were appointed as statutory auditors and has expressed willingness to continue in office according to the Laws of Uganda.

BY ORDER OF THE EXECUTIVE COMMITTEE

EXECUTIVE COMMITTEE/ ASSOCIATION SECRETARY

Statement Of Executive Committee's Responsibilities

The executive committee is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association as at the end of the financial year. It also requires the executive committee to ensure that the Association maintains proper accounting records which disclose with reasonable accuracy the financial position of the Association. The executive committees is also responsible for safeguarding the assets of the Association.

The executive committee is responsible for the preparation and fair presentation of the financial statements in accordance with several with general Accounting guidelines. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The executive committee accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with Financial Institutions Act, 2004 as amended by the Financial Institutions (Amendment) Act 2016, International Financial Reporting Standards and in the manner required by the Uganda Companies Act, 2012. The executive committee is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Association and of the Association's operating results. The executive committee further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

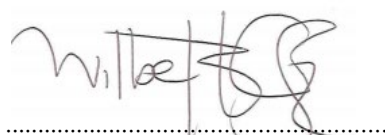
The executive committee certifies that to the best of their knowledge, the information furnished to the auditors for the purpose of the audit was correct and is an accurate representation of the Association's financial transactions.

Nothing has come to the attention of the executive committee to indicate that the Association will not remain a going concern for at least twelve months from the date of this statement.

Signed on 11 May 2021 on behalf of the Executive Committee by:



Mr. Mathias Katamba - Chairman



Mr. Wilbrod Owor - Director

Independent Auditors' Report to the Members of Uganda Bankers' Association

Opinion

We have audited the financial statements of Uganda Bankers Association, set out on pages 11 to 31, which comprise of; the statement of financial position as at 31 December 2020, and the Statement of profit or loss and other comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Association financial statements give a true and fair view of the financial position of the Association as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our Responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

The executive committees is responsible for the other information, which comprises the information included in the Report of the executive committee and statement of executive committee responsibilities.

The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the executive committee for the financial statements

The executive committee is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the executive committee determines 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 executive committee is responsible for assessing the Association'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 executive committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Association's financial reporting process.

Independent Auditors' Report to the Members of Uganda Bankers' Association

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 International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive committee.
- Conclude on the appropriateness of the executive committee's 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 Association'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 consolidated 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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the executive committee 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 executive committee 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.

The engagement partner responsible for the audit resulting in this independent auditors' report is Norbert Kagoro, Practice Number P0035.



Certified Public Accountant of Uganda

11 May 2021, Kampala



Norbert Kagoro
Partner

Uganda Bankers' Association

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

		BUDGET	BUSINESS AS USUAL	TOTAL 2019
Income				
Subscriptions	4	1,236,341	1,257,341	1,168,000
Interest	4	42,000	41,071	39,260
Annual Bankers' Conference	4	450,000	-	384,698
Income – Agency Banking	4	-	170,941	-
Other income	4	2,741,481	1,860,045	515,601
		4,469,822	3,329,398	2,107,559
Promotion, protection, representation and development of members' interests	5b)	206,000	76,957	496,028
Governance costs	7		12,685	19,340
Staff costs	8	842,447	911,143	742,972
Annual Bankers' Conference	6	400,000	-	380,002
Administration costs	9	495,910	980,287	662,812
Special Project Costs	5a)	2,116,951	1,421,126	95,552
Research & Innovation		358,500	-	-
		4,419,808	3,402,198	2,396,706
		50,014	(72,799)	(289,147)
		50,014	(72,799)	(289,147)

The notes on pages 15 to 31 form an integral part of these financial statements.

Uganda Bankers' Association

Statement of Financial Position

For the year ended 31 December 2020

	Notes	2020 Shs	2019 Shs
Noncurrent assets			
Property and equipment	10	136,678	122,968
Right of Use Asset	11	110,963	163,493
Investment in ABC	19	4,769,274	4,769,274
Investment in ARC	19	660,535	660,535
Intangible Asset	12	1,740	2,610
		5,679,190	5,718,880
Current assets			
Related Party: ABC	16	287,624	76,829
Related Party: ICAMEK	16	25,292	25,292
Accounts receivable	14	845,926	893,241
Prepayments	15	47,824	33,636
Cash and cash equivalents	13	486,340	888,692
		1,693,006	1,917,690
Total Assets		7,372,196	7,636,570
Reserves			
Accumulated reserves		(163,480)	(90,681)
ABC fund		4,769,274	4,769,274
ARC fund		660,535	660,535
		5,266,329	5,339,129
Current Liabilities			
Related Party: ARC	15	287,409	303,594
Accounts payable	16	1,227,409	1,000,815
Deferred revenue	17	480,895	829,540
Lease Liability	11	110,154	163,493
		2,105,867	2,297,442
Total Reserves and Liabilities		7,373,196	7,636,571

The financial statements on pages 11 to 31 were approved and authorised for issue by the Board of Directors on **11 May 2021** and were signed on its behalf by:

Mr. Mathias Katamba - Chairman

Mr. Wilbrod Owor - Director

The notes on pages 15 to 30 form an integral part of these financial statements.

Uganda Bankers' Association Statement of Changes in Equity

	Note	Retained Earnings Ushs '000'	ARC Fund Ushs '000'	ABC Fund Ushs '000'	Total Ushs '000'
As at Jan 2019		198,467	430,282	3,948,410	4,577,160
Addition during the year		-	230,252	820,864	1,051,116
Deficit for the year		(289,148)	-	-	(289,148)
As at 31 December 2019		(90,681)	660,534	4,769,274	5,339,128
As at Jan 2020		(90,681)	660,535	4,769,274	5,339,128
Deficit for the year		(72,799)	-	-	(72,799)
		(163,480)	660,535	4,769,274	5,266,329
As at 31 December 2020		(163,480)	660,535	4,769,274	5,266,329

The notes on pages 15 to 31 form an integral part of these financial statements.

Uganda Bankers' Association Statement of Cash Flows

		2020 Shs`000	2019 Shs`000
Cash flows from operating activities			
(Deficit) for the year as per accounts		(72,799)	(289,148)
Adjustments:			
Depreciation expenses	10	22,262	18,536
Interest expense		10,211	8,220
Amortization of intangible assets		870	1,305
Depreciation expenses to RoU Asset	11	64,238	69,759
Cashflows from operating activities		24,782	191,328
Changes in Working Capital			
Movements in Related party	16	(226,981)	239,539
Decrease /(Increase) in accounts receivable	14	47,316	(329,915)
Increase in prepayment	15	(14,188)	(14,562)
(Decrease)/Increase in accounts payable	17	226,595	201,956
		32,742	151,018
Net Cashflows generated/(used in) from operating activities		57,524	(40,310)
Cashflows from Investing activities			
Purchase of property, plant & equipment	10	(35,972)	(33,837)
Net cashflows used in investing activities		(35,972)	(33,837)
Cashflows from financing activities			
Deferred Revenue	18	(348,645)	387,753
Lease payment	11	(75,259)	(77,978)
Net Cashflows (used in)/generated from financing activities		(423,904)	309,775
Net (Decrease)/ increase in cash and cash equivalents		(402,352)	235,628
Cash and cash equivalents as at 1st January		888,692	653,064
Cash and cash equivalents as at 31 December		486,340	888,692
Cash and cash equivalents	13	486,340	888,692

The notes on pages 15 to 31 form an integral part of these financial statements.

Uganda Bankers' Association

Notes to the Financial Statements

For the Year Ended 31 December 2020

1 LEGAL STATUS

Uganda Bankers' Association is a company limited by guarantee, incorporated in Uganda and carries out all operations from within Uganda. Any Bank licensed by Bank of Uganda and operating in Uganda is eligible for membership. The principal activity of the Association is the protection, representation and development of professional business interests of its members.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Accounting

The Association did not decide to early adopt certain accounting standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Association has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2019, they did not have a material impact on the annual financial statements of the Association. The nature and the impact of each new standard or amendment are described below:

(b) Changes in accounting policies and disclosures

Amendments to IFRSs that are mandatorily effective for annual periods beginning on or after 1 January 2019. The amendments generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring retrospective application.

- *Amendments to IAS 7 disclosure initiative;*
- *Amendments to IAS 12 Recognition of Deferred Tax Assets for unrealised losses; and*
- *Amendments to IFRS 12 included in Annual Improvements to IFRS Standards 2014 – 2016 cycle.*

Amendments to IAS 7 disclosure initiative (effective for annual periods beginning on or after 1 January 2019)

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.

Uganda Bankers' Association Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to IAS 12 Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2019)

The amendments clarify the following:

- Unrealised losses on a debt instrument measured at fair value for which the tax base remains at cost given rise a deductible temporary difference, irrespective of whether the debt instrument's holders expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
- When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
- The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
- In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments apply retrospectively, but did not have an impact on the financial statements.

Amendments to IFRS 12 included in the 2014 – 2016 annual improvements cycle (effective for annual periods beginning on or after 1 January 2019)

The 2014 – 2016 annual improvements cycle includes amendments to a number of IFRSs, one of which is effective for annual periods beginning on or after 1 January 2019.

Standard	Subject of amendment	Details
IFRS 12 Disclosure of interests in other entities	Clarification of the scope of the Standard	<p>IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale.</p> <p>The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.</p> <p>The amendments apply retrospectively.</p>

Uganda Bankers' Association Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease standard and interpretations upon its effective date:

- **IAS 17** leases;
- **IFRIC 4** determining whether an arrangement contains a lease;
- **SIC-15** operating leases – incentives; and
- **SIC -27** evaluating the substance of transactions involving the legal form of a lease.

Identification of a lease

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service transactions on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

- a) The right to obtain substantially all of the economic benefits from the use of an identified asset, and
- b) The right to direct the use of that asset.

The standard provides detailed guidance to determine whether those conditions are met, including instances where the supplier has substantive substitution rights, and where the relevant decisions about how and for what purpose the asset is used are predetermined.

Lessee accounting

IFRS 16 introduces significant changes to leases accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognize a right – of – use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and had a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease either as an operating lease or a finance lease.

Uganda Bankers' Association

Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019) continued

In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosure is also required by the new Standard.

The application of these amendments is not expected to result in any impact on the financial performance or financial position of the company.

Due to the prominence of leasing transactions in the economy, many entities across different industries will be affected by IFRS 16. In some cases, the changes may be substantial and may require changes to the existing IT systems and internal controls. Entities should consider the nature and extent of these changes.

In the current year, the company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. A lessee can apply IFRS 16 either by a full retrospective approach or a modified retrospective approach. If the latter approach is selected, an entity is not required to restate the comparative information and the cumulative effect of initially applying IFRS 16 must be presented to opening retained earnings (or other component of equity as appropriate)

The Company applied the standard from its mandatory adoption date of 1 January 2019. The Company applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases are measured on transition as if the new rules had always been applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Impact on the financial statements

IFRS 16 was adopted without restating comparative information. The adjustments arising from the adoption are reflected in the balance sheet as at 31 December 2019.

The tables below show the adjustments for each individual line item. Line items that were not affected by the changes have not been included

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Property and Equipment

Estimates of residual values are made by management in addition to the estimates of expected useful lives of property and equipment.

The depreciation method reflects the pattern in which economic benefits attributable to the asset flows to the entity. The useful lives of these assets can vary depending on a variety of factors, including but not limited to technological obsolescence, maintenance programs, refurbishments and the intention of management.

Residual values of an asset are determined by estimating the amount that the entity would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of age and in a condition expected at the end of its useful life.

Uganda Bankers' Association Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimation of the useful life and residual values of an asset is a matter of judgement based on the past experience of the Association with similar assets and the intention of management.

(a) Income Recognition

Income represents subscriptions from member banks and interest income earned on cash deposits held in banks. The income is recorded in the financial statements in the year of receipt or, in the year of commitment to the extent that it is probable that the economic benefits will flow to the Association and the income can be reliably measured.

(b) Expenditure

Expenditure represents costs incurred in the year on administration, staff, governance and costs of promotion, protection, representation and development of members' interests.

(c) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. All other repair and maintenance costs are recognized in the Statement of Financial Activities as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Computer equipment and accessories

3 years

Office equipment

8 years

Furniture and fittings

8 years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no

future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Activities when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(d) Intangible asset

Intangible asset relates to the accounting software called quick books that was obtained as a tool to keep the UBA's books of accounts. Amortization is calculated on a straight-line basis at 33.3% per annum.

(e) Deferred Revenue

Deferred revenue relates to funds received from donors to fund the activities of the Agency Banking Company and the Asset Reconstruction Company. The amounts are recognised as income to the extent that the amounts are spent and then recognised as investments and funds recognised in equity.

(f) Financial Instruments- initial recognition and subsequent measurement

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics.

All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

Uganda Bankers' Association

Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

Initial recognition and measurement

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e., the date that the Association commits to purchase or sell the asset.

The Association's financial assets include cash and short-term deposits, and accounts receivable. Subsequent measurement.

The Association's financial assets are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'financial Investments-available for sale' or 'financial assets designated at fair value through profit or loss'.

After initial measurement, these financial assets are subsequently measured at amortized cost, using the effective interest rate method, less allowance for impairment. Amortization is calculated by taking into account any discount or premium on acquisition fees and costs that are an integral part of the effective interest rate. The amortization is included in the Statement of Financial Activities. The losses arising from impairment are included in the Statement of Financial Activities.

De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: The rights to receive cash flows from the asset have expired; and UBA has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Association has transferred substantially all the risks and rewards of the asset, or (b) the Association has neither transferred nor retained substantially all the risks and

rewards of the asset, but has transferred control of the asset

(g) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, cash on hand, bank overdrafts and short-term deposits with an original maturity of due months or less.

(h) Reserves

Reserves relate to the accumulated retained earnings of the prior year and the surplus for 2020.

(i) Financial liabilities

The Association's financial liabilities include accounts payable.

Subsequent measurement

After initial measurement, the Association's financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortization is calculated by taking into account any discount or premium on acquisition fees and costs that are an integral part of the effective interest rate. The amortization is included in the Statement of Financial Activities.

Uganda Bankers' Association

Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Financial Activities.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(j) Foreign currency translation

The Association's financial statements are presented in Uganda Shillings (Ushs), which is also the Association's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Association at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date which is 1 USD=Shs. 3,661 (Ref: Bank of Uganda) All differences are taken to the Statement of Financial Activities.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(k) Impairment of non-financial assets

The Association assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Association estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Uganda Bankers' Association Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses are recognized in the Statement of Financial Activities in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication is found, the Association estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Financial Activities.

(l) National Social Security Fund contributions

The association contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Association's obligations under the scheme are limited to specific contributions legislated from time to time and are currently 10% of the employees' gross salary. The Association's contributions are charged to the Statement of Financial Activities in the period to which they relate. (o) Impairment of financial assets.

The Association assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(m) Tax

According to the Income Tax Act, Cap 340, under section 2(b), the Association qualifies as an exempt entity for tax purposes. The Association obtained a tax exemption certificate from Uganda Revenue Authority for the period from 1 January 2019 to 31 December 2020.

Uganda Bankers' Association

Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

3. SUBSCRIPTION INCOME

Bank Name	Total 2020	Total 2019
ABC Capital Bank Ltd	32,084,065	32,084,065
Bank of Africa	40,794,592	40,794,592
Bank of Baroda	50,515,303	50,515,303
Bank of India	33,466,810	33,466,810
Barclays	62,260,198	62,260,198
Cairo Int. Bank	32,824,047	32,824,047
CBA	33,210,178	33,210,178
Centenary Bank	65,116,956	65,116,956
CitiBank	42,914,224	42,914,224
DFCU Bank	69,162,507	69,162,507
Diamond Trust Bank	50,579,117	50,579,117
ECOBANK	36,234,893	36,234,893
Equity Bank	44,186,578	44,186,578
Exim Bank	34,913,319	34,913,319
Finance Trust Bank	33,590,049	33,590,049
GT BANK	33,841,890	33,841,890
Housing Finance	40,499,031	40,499,031
KCB	40,628,170	40,628,170
NC Bank	34,087,881	34,087,881
Orient Bank	39,853,711	39,853,711
Stanbic Bank	98,769,109	98,769,109
Standard Chartered	66,449,158	66,449,158
Tropical Bank	34,891,416	34,891,416
UBA	34,056,273	34,056,273
UDB	35,070,523	35,070,523
EADB	48,539,218	-
Opportunity Bank	32,801,921	-
Total	1,201,341,139	1,120,000,000
Associate Members		
Pride Microfinance Limited	5,000,000	
FINCA Uganda Limited	5,000,000	5,000,000
MERCANTILE CREDIT BANK	5,000,000	5,000,000
YAKO MICROFINANCE LTD	5,000,000	5,000,000
TOP FINANCE BANK	5,000,000	5,000,000
BRAC (U) LTD	5,000,000	5,000,000
Post Bank Uganda Limited	5,000,000	5,000,000
AFRILAND FIRST BANK	5,000,000	5,000,000
UGAFODE Microfinance Ltd	5,000,000	5,000,000
EFC	11,000,000	-
	56,000,000	40,000,000
	1,257,341,139	1,160,000,000

Uganda Bankers' Association

Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

	2020 Shs '000	2019 Shs '000
4 INCOME		
Subscription Income	(1,257,341)	(1,168,000)
Interest income	(41,071)	(39,260)
Annual Bankers' Conference	-	(384,698)
Agency Income	(170,941)	-
Other income*	(1,860,045)	(515,601)
	<u>(3,329,398)</u>	<u>(2,107,559)</u>

*Other income is inclusive of members contributions of: **918m** towards the NIRA eKYC project, **415m** Covid-19 donations, **278m** towards IFC project, **98m** towards the Total Tax contribution to the economy by the banking industry, **87m** from VISA for merchant surcharge, **48m** from aBi towards agent banking implementation overheads and balance from FSDU towards the UBA – BoU NPS Bill workshop

5 PROMOTION, PROTECTION & DEVT

a) Member Special Projects	<u>1,421,126</u>	<u>95,552</u>
b) Annual dinner	-	81,922
Colloquiums-stakeholder meeting	18,889	29,542
Member shared Legal Costs	-	346,920
Member Other events & dinners	22,370	37,644
Advertising expenses	<u>35,698</u>	<u>-</u>
	76,957	496,028
	<u>1,498,083</u>	<u>591,580</u>

6 ANNUAL BANKERS' CONFERENCE

Annual Bankers' Conf Expenses	<u>-</u>	<u>380,002</u>
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7 GOVERNANCE EXPENSES

Member meeting expenses	10,504	6,225
Sub committee expenses	<u>2,181</u>	<u>13,115</u>
	<u>12,685</u>	<u>19,340</u>

8 STAFF COSTS

Salaries (include 10% NSSF Contribution)	796,354	647,610
Gratuity Expenses	72,395	55,965
Medical expenses	23,234	27,109
Local Service Tax	600	600
Temp Wages	<u>18,560</u>	<u>11,688</u>
	<u>911,143</u>	<u>742,972</u>

Uganda Bankers' Association

Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

9 ADMINISTRATION EXPENSES	2020	2019
	Shs '000	Shs '000
Printing ,posting and stationery		
Printing	20,975	31,481
Stationery expenses	9,030	8,187
Rent & Rates		
Rent of office premises	-	-
Street parking	10	30
Telecoms and internet		
Domain & web hosting	-	4,484
Internet - Office	46,800	55,715
Mobile Internet	3,169	2,327
IT support	5,400	6,344
Telephone costs	12,599	11,616
Other IT Expenses	1,357	1,513
Professional fees		
Consultancy fees	209,468	83,714
Accountancy fees		
Audit fees	29,360	28,305
Legal Fees	4,707	29,613
Public Relations		
Advertising	-	19,728
Donation Expenses	421,496	83,210
Social Media, & others	8,400	4,800
Travel and subsistence		
Local travel	30,087	35,304
Foreign travel expenses	7,100	6,096
Accommodation & Per Diem	3,860	3,562
Utilities		
Electricity	11,241	7,949
Water	1,144	2,089
Generator Diesel	1,287	1,974
Finance Costs		
Bank charges	1,228	3,205
Interest Expense	10,211	8,220
Exchange Loss		
Bad debts Provision	-	79,685
Office Expenses & Supplies		
Office Supplies	2,125	653
Posting and courier services	159	447
News Papers & Magazines	1,259	1,408
Office Meeting Expenses	1,356	2,005
Outsourced Services	15,726	22,591
General Admin Expenses		
Others	-	-
Business Meals	2,056	3,007
Security Expenses	3,030	12,088
Repairs and maintenance expense	1,984	867
TV Subscription	926	1,282
Workshops and training	21,300	5,181
Membership & subscription expenses	4,068	4,450
Depreciation expenses	87,370	89,685
	980,287	662,812
Total Expenditure	3,402,198	2,396,705

Uganda Bankers' Association

Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

10 PROPERTY AND EQUIPMENT

	Computers and Accessories	Office Equipment	Furniture & Fittings Years	Total
	Shs '000	Shs '000	Shs '000	Shs '000
Cost				
At 1 January 2020	55,826	40,608	120,817	215,251
Additions	11,623	8,750	15,599	35,972
Disposal	-	-	-	-
At 31 December 2020	67,449	49,358	136,416	251,223
Depreciation				
At 1 January 2020	37,067	18,173	39,044	94,284
Charge for the period	7,784	3,400	11,078	22,262
Disposal	-	-	-	-
At 31 December 2020	44,851	21,573	50,122	116,546
Net Book Value				
At 31 December 2020	22,599	27,785	86,294	136,678
At 31 December 2019	18,759	22,436	81,773	122,968

11 RIGHT OF USE ASSET

Right of use assets relate to the leased office premises that are presented as their own line item in the statement of financial position.

Right of Use Asset

Cost	2020 Shs '000	2019 Shs '000
At 1 January	233,252	233,252
Additions	11,709	-
	-	-
At 31 December	244,961	233,252
Depreciation		
At 1 January	69,759	-
Charge for the period	64,238	69,759
At 31 December	133,997	69,759
Net Book Value		
At 31 December 2020	110,963	-
At 31 December 2019	163,493	163,493

Uganda Bankers' Association

Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

11 RIGHT OF USE ASSET (CONTINUED)

	2020 Shs '000	2019 Shs '000
Maturity analysis – Contractual undiscounted cash outflows		
Less than one year	39,424	55,290
Between one and 5 years	78,849	221,162
More than 5 years	-	-
Total undiscounted lease liabilities at 31 December	118,273	276,452

Amounts recognised in profit or loss

	2020 Shs '000	2019 Shs '000
Leases under IFRS 16		
Depreciation on right of use asset	64,238	69,759
Interest on lease liabilities	10,211	8,220
Expenses relating to short term leases	-	-
Expenses relating to leases of low value assets, excluding short term leases of low value assets	-	-
	74,449	77,979

Lease liability

	2020 Shs '000	2019 Shs '000
Balance at 1 January	163,493	232,252
Interest on lease liability	10,211	8,220
Lease payments	(75,259)	(77,978)
Renewals/Additions	11,709	-
Balance at 31 December	110,154	163,493

Amounts recognised in statement of cash flows

	2020 Shs '000	2019 Shs '000
Total cash outflow for leases	-	-

Uganda Bankers' Association Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

12 INTANGIBLE ASSETS

	2020 Ushs	2019 Ushs
Cost		
As at 1 January 2020	6,712	6,712
Additions	-	-
As at 31 December 2020	6,712	6,712
Depreciation		
As at 1 January 2020 Charge	4,102	2,797
for the year	870	1,305
As at 31 December 2020	4,972	4,102
Net Book Value	1,740	2,610

13 CASH AND CASH EQUIVALENTS

NC Bank - aBi	180,167	334,621
NC Bank - GiZ	47,632	1,023
Bank of Baroda	153,896	49,601
Barclays Bank	103,214	501,819
United Bank For Africa	149	1,314
Petty Cash	1,282	314
Net Book value	486,340	888,692

14 ACCOUNTS RECEIVABLES

Annual subscription receivable & Others	72,201	23,712
Member contributions towards ARC & ABC	8,213	74,187
Contributions towards URA case	228,793	265,915
Lira Currency Centre	-	8,000
KCCA case & stamp Duty	16,978	33,982
ARC contribution	376,136	397,490
Annual Bankers Conference	37,445	57,250
NIRA e KYC Project	7,540	36,604
PoS Legal Suit	66,139	66,251
Others	32,581	9,535
IFC Agent Banking Project	-	-
Accounts receivables Provision	-	(79,685)
	845,926	893,241

15 PREPAYMENTS

	47,824	33,636
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Uganda Bankers' Association Notes to the Financial Statements

For the Year Ended 31 December 2020 (continued)

16 RELATED PARTY BALANCES

	Agent Banking Company Shs'000	Asset Reconstruction Company Shs'000	ICAMEK/ADR Shs'000	Total Shs'000
As at 1st Jan 2020	76,829	(303,594)	25,292	(201,473)
	<u>76,829</u>	<u>(303,594)</u>	<u>25,292</u>	<u>(201,473)</u>
Additions	210,795	16,185	-	226,981
As at 31st Dec 2020	<u>287,624</u>	<u>(287,409)</u>	<u>25,292</u>	<u>25,508</u>

17 ACCOUNTS PAYABLE

	2020 Shs'000	2019 Shs'000
Audit fees payable	14,915	14,170
Sundry creditors	61,652	89,824
URA Case	605,185	605,185
Lira Currency Centre	269,152	10,000
Stamp Duty, KCCA, & POS Case	182,880	223,200
Payroll	-	(22)
Provision for gratuity	93,625	58,458
	<u>1,227,409</u>	<u>1,000,815</u>

18 DEFERRED REVENUE

	Agent Banking Shs'000	UBA-NIRA Project Shs'000	IFC Shs'000	Others Shs'000	TOTAL Shs'000
Balance as at 1 st Jan 2020	264,785	564,755	-	-	829,540
Additions during the year	68,454		1,136,150	285,875	1,490,479
	<u>333,239</u>	<u>564,755</u>	<u>1,136,150</u>	<u>285,875</u>	<u>2,320,019</u>
Total Spend for the year	226,447	449,894	974,600	188,183	1,839,124
Balance as at 31st Dec 2020	<u>106,792</u>	<u>114,861</u>	<u>161,550</u>	<u>97,692</u>	<u>480,895</u>

19 INVESTMENTS

	ARC	ABC
Balance as at 1st Jan 2020	660,535	4,769,274
Additions during the year	-	-
	<u>660,535</u>	<u>4,769,274</u>

20 EVENTS AFTER REPORTING PERIOD

Except as disclosed in the notes to the financial statements, there are no events after the reporting date that require disclosure in or adjustments to the financial statements as at this report date.

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