BRAC UGANDA BANK LIMITED

ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

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DIRECTORS

Mr. Albert Elasu Obongonyinge	Chairperson	Ugandan
Ms. Florence Nsubuga Nakimbugwe	Member	Ugandan
Ms. Annette Mbabazi Rumanyika Mulira	Member (Retired on 9th June 2025)	Ugandan
Ms. Peace Kabatangare Zulu	Member	Ugandan
Mr. Anthony Peter Wainaina Kamau	Member	Kenyan
Ms. Orsolya Farkas	Member	Hungarian
Ms. Laurie Jean Spengler	Member	American
Ms. Bridget Lee Dougherty	Member	American
Mr. Seewoosagur Domun	Member	Mauritian
Mr. Nkosilathi Moyo	Managing Director / CEO	Zimbabwean
Mr. William Mawejje	Executive Director/COO (Retired on 31st May 2025)	Ugandan

PRINCIPAL PLACE OF BUSINESS:
Kabuusu Rubaga, Uganda
Plot 201, Mengo
P. O. Box 6582
Kampala, Uganda

REGISTERED OFFICE:
Kabuusu Rubaga, Uganda
Plot 201, Mengo
P. O. Box 6582
Kampala, Uganda

COMPANY SECRETARY:
Lillian Kabateera (effective 2nd January 2026)
P. O. Box 6582
Kampala, Uganda

Max Manzi (Until 31st July 2025)
P. O. Box 6582
Kampala, Uganda

INDEPENDENT AUDITOR:

KPMG, Certified Public Accountants
3rd Floor Rwenzori Courts
Plot 2 & 4A Nakasero Road
P. O. Box 3509
Kampala, Uganda

BANKERS:

Stanbic Bank Uganda Limited Plot 17 Hannington Road Crested Towers P. O. Box 7131 Kampala, Uganda	Bank of Africa Uganda Limited Plot 45 Jinja Road P. O. Box 2750 Kampala, Uganda	Standard Chartered Bank Uganda Ltd Plot 5 Speke Road P. O. Box 7111 Kampala, Uganda
Equity Bank Uganda Limited Plot 390 Muteesa 1 Road P. O. Box 10184 Kampala, Uganda	dfcu Bank Limited Plot 2 Jinja Road, UDB Towers P. O. Box 70 Kampala, Uganda	Centenary Bank Uganda Limited Plot 44-46 Kampala Road P. O. Box 1892 Kampala, Uganda
BRAC Uganda Bank Limited Plot 4/6 Nkrumah Road P. O. Box 7189 Kampala, Uganda	Pride Bank Limited Victoria Office Park Block B, Bukoto, Kampala, Uganda	KCB Bank Uganda Limited Plot 7, Kampala Road P. O. Box 7399 Kampala, Uganda

The directors have pleasure in submitting their report and financial statements of BRAC Uganda Bank Limited ("the Bank") for the year ended 31 December 2025, which disclose the state of affairs of the Bank.

(A) REGISTRATION

BRAC Uganda Bank Limited a company limited by shares was incorporated on 6 June 2017 and acquired the business, assets and liabilities of BRAC Uganda Microfinance Ltd (by guarantee) that had commenced trading as a microfinance entity offering micro loans to its customers from 01 January 2010. The Bank has four shareholders namely, a) BRAC International Holdings B.V b) ASN Microkredietpool, c) DEG-Deutsche Investitions- und Entwicklungsgesellschaft mbH and d) Shorecap III LP.

Prior to 6 June 2017, the business was being conducted by BRAC Uganda Microfinance Limited incorporated on 27 August 2008 under the Companies Act, Cap 106 Laws of Uganda as an independent company limited by guarantee. The Bank prior to incorporation was a component of BRAC Uganda which was first incorporated as BRAC Foundation in January 2006, and it commenced business in June 2006. In March 2007, the name was changed to BRAC through the Registry of Companies. Later the Microfinance and Non-Microfinance Programmes were incorporated as independent companies in August 2008 and September 2009 respectively.

On 30 September 2009, at a duly convened meeting of the Governing Board, BRAC transferred all assets and liabilities that relate (or are in any way connected with the Microfinance activity it had been operating in Uganda) to BRAC Uganda Microfinance Limited (by guarantee).

The Company effectively commenced trading independently on 1st January 2010 as BRAC Uganda Microfinance Limited (by guarantee).

On 7 March 2019, BRAC Uganda Bank Limited was awarded a licence by Bank of Uganda authorizing the company to operate as a Credit Institution. Therefore, in addition to the lending, the Bank also accepts call and time deposits.

(B) VISION

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realize their potential.

(C) MISSION

The Bank's mission is to provide a range of financial services responsibly to people at the bottom of the pyramid in Uganda. We particularly focus on women living in poverty in rural, urban and hard to reach areas, to create self-employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

(D) OUR VALUES

Innovation: we have been an innovator in the creation of opportunities for the poor to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in groundbreaking development initiatives.

Integrity: we value transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. The Bank holds these to be the most essential elements of our work ethic.

Inclusiveness: we are committed to engaging, supporting and recognizing the value of all members of society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socioeconomic status and geography.

Effectiveness: We strive for effectiveness to better serve people in poverty.

(E) PRINCIPAL ACTIVITIES

The Bank provides microfinance services to improve the livelihood of poor people in over 80 districts in Uganda focusing on extending loan facilities.

Following the licence to operate as a credit institution (Tier 2 financial institution) granted by Bank of Uganda, the Bank includes the provision of call and time deposits as part of the financial services offered to people in Uganda.

(F) CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital based on requirements contained in the Financial Institutions Act. As at 31 December, the Bank's regulatory ratios were as follows:

	2025	2024*Restated
	Ushs '000	Ushs '000
Tier 1 Capital	53,562,610	44,005,602
Tier 2 Capital	2,723,167	2,599,850
Total Tier 1 + Tier 2 capital	56,285,777	46,605,452
Total risk weighted assets	247,128,261	235,394,028
Tier 1 capital ratio (Required 12.5%)	**21.67%**	**18.69%**
Total capital ratio (Required 14.5%)	**22.78%**	**19.80%**

Further information about capital adequacy is disclosed in Note 32 to the financial statements.

(G) COMPOSITION OF DIRECTORS

The Directors who served during the year and up to the date of this report are set out on page 1.

(H) DIRECTORS' BENEFITS

During the year the directors received a retainer of Ushs 405 million as directors' fees recorded under governance/board costs, note 17 (iii) (2024: Ushs 391 million).

(I) CORPORATE GOVERNANCE

The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In so doing, the directors confirm that:

- The Board of Directors met regularly throughout the period.
- They retain full and effective oversight over the Bank.
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

As at 31 December 2025, the Board of Directors had nine (9) directors comprising Executive and Non-Executive Directors (NEDs), with deliberate skills blend from financial, social and legal practice. The Board of Directors composition for the reporting period was as indicated below:

Classification	Number
Executive Directors	1
Non-Executive Directors	8

(I) CORPORATE GOVERNANCE (CONTINUED)

The Board continued to carry out its role of formulating policies and strategies of the Bank, reviewing the business plan, ensuring that the accounting system is maintained in accordance with acceptable standards, the books of the Bank are kept properly, and that accounts are checked by authorized auditors, as well as recruitment and development of key personnel.

The Board has established six board committees to ensure adequate oversight of the Bank's risk management. The committees comprise Assets and Liabilities Committee, Risk, Compliance, Information Technology Committee, Credit Committee, Audit Committee, Human Resource and Nominations Committee and Social Performance Management Committee.

In furtherance of its oversight function, the Board and the Committees meet at least quarterly to consider matters relating to the performance and operations of the Bank. Below is the summary of the Committee composition and the Board Committee meetings held during 2025.

Meeting	Composition	Meetings held
Full Board	9	7 (4 quarterly;3 ad hoc)
Board Assets and Liabilities Committee	4	5 (4 quarterly;1 ad hoc)
Board Human Resources and Nominations Committee	4	4
Board Audit Committee	3	5 (4 quarterly; 1 ad hoc)
Board Credit Committee	4	4
Board Risk, Compliance and IT Committee	4	5 (4 quarterly; 1 ad hoc)
Board Social Performance Management Committee	4	2

Apart from the statutory quarterly meetings, the Board held a number of ad hoc meetings that deliberated and dealt with a number of issues that were beneficial and impactful to the Bank.

Board Committee Composition

Board Committee	Membership
Board Assets & Liabilities Committee	1) Laurie Jean Spengler **(Committee Chairperson)** 2) Orsolya Farkas 3) Seewoosagur Domun 4) Bridget Lee Dougherty
Board Credit Committee	1) Anthony Peter Wainaina Kamau **(Committee Chairperson)** 2) Seewoosagur Domun 3) Bridget Lee Dougherty 4) Orsolya Farkas
Board Human Resource & Nominations Committee	1) Florence Nakimbugwe Nsubuga **(Committee Chairperson)** 2) Laurie Jean Spengler 3) Orsolya Farkas
Board Risk, Compliance & IT Committee	1) Anthony Peter Wainaina Kamau **(Committee Chairperson)** 2) Florence Nakimbugwe Nsubuga 3) Peace Kabatangare 4) Bridget Lee Dougherty
Board Audit Committee	1) Peace Kabatangare **(Committee Chairperson)** 2) Anthony Peter Wainaina Kamau 3) Florence Nakimbugwe Nsubuga
Board Social Performance Management Committee	1) Laurie Jean Spengler **(Committee Chairperson)** 2) Bridget Lee Dougherty 3) Seewoosagur Domun 4) Peace Kabatangare

(J) RISK MANAGEMENT

The risk management framework of the Bank is disclosed in note 32 to the financial statements.

(K) MANAGEMENT STRUCTURE

The Bank is under the supervision of the Board of Directors, and the day-to-day management is entrusted to the Chief Executive Officer who is assisted by the Chief Operations Officer and other heads of departments and units. The organization structure of the Bank comprises the following departments/Units:

1. Finance and Accounts
2. Business Growth
3. Internal Audit
4. Compliance and Anti Money Laundering
5. Banking Operations and Administration
6. Information and Communication Technology
7. Human Resource and Training
8. Strategy
9. Procurement
10. Legal and Company Secretarial
11. Risk Management
12. Marketing, Communication and Customer Experience
13. Information security

(L) RELATED PARTY DISCLOSURES

Related party transactions and balances are disclosed in note 17 to the financial statements.

(M) FUTURE DEVELOPMENT PLANS

The theme for 2026 is "Building a performance driven culture for greater Impact" with strategic objectives including: Deepening outreach in existing markets by growing net borrowers by 16% from 185,000 to 218,000 and leveraging on key strategic partnerships; Drive growth of deposits from Ushs 154bn to Ushs 198bn and drive cultural transformation and talent management. The specific projects to support the growth strategy include:

1. Scale-up the agriculture loan product to additional locations to accommodate customers engaged in agriculture as their livelihood.
2. Scale up risk-based pricing to 40 locations for rewarding customer loyalty.
3. Pilot school fees loan product.
4. Leveraging on strong collaborations with strategic partners.
5. Leverage on mobile banking and VSLA digitization to grow sticky deposits.

(N) KEY ACHIEVEMENTS IN 2025

1. Opened 2 locations (Nakasongola and Rakai) and relocated Kampala Road for strategic business alignment.
2. Obtained ISO/IEC 27001 certification upon successful audit of information systems.
3. Awarded Tier 2 winners of the 2025 FiRe award by the Institute of Certified Public Accountants of Uganda.
4. Member recognition -joining the Global Alliance for Banking on Values (GABV).
5. Award for Capacity Building by Institute of Banking and Financial Services in collaboration with Uganda Bankers Association.
6. Growth in deposits by 26% year on year and 92% achievement of the annual budget of 2025.

(O) SOLVENCY

The Board of Directors has reasonable expectation that the Bank will have adequate resources to continue in operational existence for the foreseeable future. The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

(P) GENDER PARITY

As at 31 December 2025, the Bank had 1,870 staff (2024: 1,896). The female staff were 81% (2024: 82%).

(Q) WELFARE OF EMPLOYEES

Relationship between management and employees
There were continued good relations between employees and management for the period. There were no unresolved complaints received by management from the employees during the year.

Staff continued to get performance incentive schemes during the period. Grievance handling guidelines were circulated to all employees to clearly understand their rights as well as guiding the supervisors.

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

Training
Employee empowerment through capacity building and targeted learning interventions remains a core strategic priority and a key driver of the Bank's productivity, staff retention, and engagement. These initiatives serve as an important benchmark for measuring employee commitment and organisational performance. During the period, the Bank implemented a holistic Microfinance Management training for all Heads of Department, complemented by an immersion programme in Bangladesh to strengthen strategic alignment and deepen understanding of the microfinance business model. In addition, frontline officers underwent Customer Relationship Management training aimed at enhancing service quality and improving overall customer experience.

Medical assistance
The Bank provides medical insurance for all the staff and one dependent for each staff member, and adding employees' dependents gradually is subject to its continued performance improvement.

Retirement benefits
All eligible employees are members of the National Social Security Fund (NSSF). The Bank contributes 10% of the employees' gross salary and the employee contributes 5%.

The NSSF is a defined contribution scheme with BRAC Uganda Bank Limited having no legal or constructive obligation to pay further top-up contributions.

Long Service Award
An employee will be given a Long Service Award for the first five (5) consecutive years of service to the BRAC Uganda Bank Limited and thereafter, every five years' service completed with the Bank.

Staff who have served the Bank for a period of 5 years and are still in service are awarded a long service certificate while those who have served the Bank for a period of 10 years are awarded a long service certificate and a cash reward equivalent to one-month gross salary for every ten years served. The cash reward is provided for when the employee qualifies for the benefit and paid within twelve months.

Provident Fund
The Bank's contribution to the Provident Fund (that was approved by the Board and implemented effective 01 April 2024) was improved from 4.2% to 5% of the employee's gross pay effective 01 April 2025. Staff contribution to this fund is 3% of their gross pay.

(R) DIVIDENDS

The Directors have proposed a final dividend of Ushs 1,314 million for the year ended December 2025 (2024: Ushs 657 million) in accordance with the provisions of Article 138 of the Company's Articles of Association and Clause 14.1 of the Shareholders' Agreement.

(S) AUDITOR

KPMG was appointed as the Bank's external auditor in 2025 in accordance with Section 167(2) of the Companies Act, Cap. 106 (Laws of Uganda), and Section 62(1) of the Financial Institutions Act, Cap. 57. Being eligible for reappointment, the auditor has expressed willingness to continue in office in 2026.

(T) APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the directors at a meeting held on 23 March 2026 discussed with Bank of Uganda on 16 April 2026 and authorised for issue by the Board of Directors on 29 April 2026.

By order of the Board

Signed: ……………………………
SECRETARY

The Companies Act, Cap. 106 Laws of Uganda requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of financial affairs of BRAC Uganda Bank Limited ("the Bank'') as at the end of the financial year and of the results of operations of the Bank for that year. It also requires the Directors to ensure the Bank keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, Cap. 106, Laws of Uganda and the Financial Institutions Act, Cap. 57 Laws of Uganda. The Directors are of the opinion that the financial statements of BRAC Uganda Bank Limited ("the Bank") set out on pages 14 - 98 give a true and fair view of the state of the financial affairs of the Bank and of its profit in accordance with IFRS Accounting Standards and have been prepared in the manner required by the Companies Act Cap. 106, Laws of Uganda and the Financial Institutions Act Cap. 57 Laws of Uganda. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors have assessed the Bank's ability to continue as a going concern. In performing this assessment, the Bank's paid up minimum capital was above the prudential requirement as at 31 December 2025.

The Directors hereby report that nothing has come to their attention to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

Preparation of the financial statements
The Tax Procedures Code Act Cap. 343 requires a taxpayer with an annual turnover of Ushs 500 million to furnish, with the taxpayer's return of income, audited financial statements prepared by an accountant registered by the Institute of Certified Public Accountants of Uganda (ICPAU). The financial statements are prepared by the Bank's accountant under the oversight of the directors.

The financial statements for BRAC Uganda Bank Limited for the year ended 31 December 2025 have been prepared by CPA Stella Agaba (FM/2095).

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Signature

Approval of the financial statements
The financial statements were approved by the Board of Directors on 23 March 2026, discussed with Bank of Uganda on 16 April 2026 and authorised for issue by the Board of Directors on 29 April 2026.

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

KPMG
Certified Public Accountants of Uganda
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Independent auditor's report

TO THE SHAREHOLDERS OF BRAC UGANDA BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BRAC Uganda Bank Limited ("the Bank") set out on pages 14 to 98, which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, Cap. 106 Laws of Uganda and the Financial Institutions Act, Cap. 57 Laws of Uganda.

Basis for Opinion

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

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

Key Audit Matters

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

KPMG

Independent auditor's report

TO THE MEMBERS OF BRAC UGANDA BANK LIMITED (Continued)

Report on the Audit of the Financial Statements (Continued)

Key audit matter	How the matter was addressed in our audit
Expected Credit Loss on loans and advances The disclosures associated with loans and advances are set out in the Financial Statements in the following notes: Note 3 (a) - Significant accounting policies, judgements, estimates and assumptions Note 33 - Financial risk management Note 15 - Loans and advances to customers	
The Bank has recognized Expected Credit Losses ("ECL") on loans and advances which involves significant judgement and estimates. ECL on loans and advances to customers is considered a key audit matter because the directors make significant judgements over both timing of recognition of impairment and the estimation of the size of any such impairment. As at 31 December 2025, the Bank's loans and advances to customers net of ECL amounted to Ushs 207 billion, representing 64% of total assets, with total expected credit loss ("ECL") allowances of Ushs 4.3 billion recognized. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's determination of ECL are: — Model estimations - inherently judgmental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD models used in the portfolios are the key drivers of the Bank's ECL results and are therefore the most significant judgmental aspect of the Bank's ECL modelling approach. — Significant Increase in Credit Risk (SICR'); the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12-month or lifetime provision is recorded. — Economic scenarios; IFRS Financial Instruments requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant judgement is applied in determining the forward-looking information (FLI) economic scenarios (i.e. base case, optimistic case and pessimistic case) used and the probability weightings applied to them.	Our audit procedures in this area included: — Performing end to end process walkthroughs to identify and assess the design and implementation and the operating effectiveness of key controls used in the system applications and controls in the ECL processes. — Selecting a sample of facilities from the Bank's loan book and evaluating whether the facilities sampled are correctly staged/classified and valued in accordance with on IFRS 9 considering the bank's definition of significant increase in credit risk and default. — Obtaining on a sample basis the key inputs used in the ECL calculations to macroeconomic forecasts, PD, LGD and EAD by agreeing the key inputs such as historical macroeconomic data, customer details, customer outstanding balances, interest rates and unique collateral data to source documentation and involving our specialist to reperform the PDs and economic forecasts. — Evaluating key aspects of the Bank's SICR considerations by assessing the qualitative factors and quantitative factors such as days past due that were used by management in their evaluation of the classification of the financial instruments into stages 1, 2 and 3. This included performing credit reviews and re-aging the loan portfolio to evaluate the days past due. — With the help of our financial risk modeling specialists our procedures on ECL included; ▪ Evaluating the appropriateness of the Bank's ECL impairment methodologies by benchmarking them with the requirements of IFRS 9. ▪ Challenging the appropriateness of the assumptions used in modelling the probability of default and loss given default by benchmarking the parameters used such as time to realization and historic default rates against actual outcomes for reasonability. ▪ Challenging key assumptions made by the Bank in determining forward looking information, including the completeness of the macro-economic variables considered such as gross domestic product, government final consumption, Imports goods and services, total final consumption and total domestic demand to model the economic scenarios and probability weightings made to the economic scenarios and the correlation between the

KPMG

Independent auditor's report

TO THE MEMBERS OF BRAC UGANDA BANK LIMITED (Continued)

Report on the Audit of the Financial Statements (Continued)

Key audit matter	How the matter was addressed in our audit
Expected Credit Loss on loans and advances The disclosures associated with loans and advances are set out in the Financial Statements in the following notes: Note 3 (a) - Significant accounting policies, judgements, estimates and assumptions Note 33 - Financial risk management Note 15 - Loans and advances to customers	
—Presentation of the key assumptions and judgements made in the financial statements.	bank's credit risk parameters and the macro-economic variables. — Assessing the adequacy of disclosures in the financial statements with regards to the key assumptions, judgements and credit risk disclosures in accordance with IFRS 7 *Financial Instruments Disclosures.*

Emphasis of matter - comparative information

We draw attention to Note 42 to the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2024 has been restated. Our opinion is not modified in respect of this matter.

Other matter relating to comparative information

The financial statements of the Bank as at and for the year ended 31 December 2024, excluding the retrospective adjustments described in note 42 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 April 2025.

As part of our audit of the financial statements as at and for the year ended 31 December 2025, we also audited the retrospective adjustments described in note 42 to the financial statements that were applied to restate the comparative information presented as at and of the year ended 31 December 2024.

We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2024, other than with respect to the retrospective adjustments described in note 42 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the retrospective adjustments described in note 42 to the financial statements are appropriate and have been properly applied.

Other information

The directors are responsible for the other information. The other information comprises the information included in the *BRAC Uganda Bank Limited Annual report and Financial Statements* for the year ended 31 December 2025 but does not include the financial statements and our auditor's report thereon.

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

Independent auditor's report

TO THE MEMBERS OF BRAC UGANDA BANK LIMITED (Continued)

Report on the Audit of the Financial Statements (Continued)

Directors' responsibilities for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by Companies Act, Cap. 106 Laws of Uganda and the Financial Institutions Act, Cap. 57 Laws of Uganda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

KPMG

Independent auditor's report

TO THE MEMBERS OF BRAC UGANDA BANK LIMITED (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, Cap. 106 Laws of Uganda and the Financial Institutions Act, Cap. 57 Laws of Uganda we report to you, solely based on our audit of the financial statements that;

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
- The statements of financial position and comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Stephen Ineget– P0401.

KPMG

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Certified Public Accountants
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P O Box 3509
Kampala, Uganda

Date: 29 April 2026

CPA Stephen Ineget

	Note	2025 Ushs '000	Restated* 2024 Ushs '000
Interest income on loans and advances	5	105,203,752	101,003,728
Other interest income	6	6,277,604	3,445,276
Interest expense on borrowings	7(a)	(10,755,273)	(10,413,863)
Other finance costs	7(b)	(11,713,715)	(9,536,847)
Net interest income		**89,012,368**	**84,498,294**
Membership fees and other charges	8(a)	7,099,215	6,394,812
Net finance income	9	74,526	44,471
Revenue		**96,186,109**	**90,937,577**
Other income	8(b)	2,920,603	2,221,616
Expected credit loss on financial assets	16	(4,645,270)	(5,114,836)
Grant income	27(e)	6,143,425	5,287,356
Staff costs	10	(52,205,108)	(47,042,370)
Other operating expenses	11	(33,211,955)	(30,607,694)
Depreciation of property and equipment	19	(2,522,504)	(2,765,055)
Amortization of software	21	(1,071,417)	(1,222,608)
Depreciation of right-of-use assets	22(a)	(2,782,429)	(2,545,812)
Profit before tax		**8,811,454**	**9,148,174**
Income tax charge	12(a)	(2,236,654)	(2,788,912)
Net profit for the year		**6,574,800**	**6,359,262**
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		**6,574,800**	**6,359,262**

* The comparative information has been restated to correct a material error relating to the non-accrual of management fees and the resultant impact on tax balances and donation expenses, as disclosed in Note 42.

The accounting policies and notes set out on pages 18 to 98 form an integral part of these financial statements.

BRAC UGANDA BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	2025 Ushs '000	Restated* 2024 Ushs '000
ASSETS			
Cash and bank	13(a)	2,439,617	2,466,889
Deposits and balances due from banks	14	74,744,477	55,597,370
Government securities	13(b)	7,525,003	4,586,555
Related party receivables	17(a)	109,694	4,682,677
Loans and advances to customers	15	207,615,176	196,828,562
Other assets	18	4,113,441	3,306,361
Income tax recoverable	12(c)	41,911	41,911
Deferred tax asset	12(b)	2,420,236	4,656,890
Property and equipment	19	5,737,521	6,123,141
Right-of-use asset	22(a)	9,761,167	7,342,857
Capital work in progress	20	1,786,227	1,820,513
Intangible assets	21	4,958,556	7,859,392
Total assets		**321,253,026**	**295,313,118**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from customers	24	154,181,169	122,096,300
Related party payables	17(b)	1,892,315	7,365,293
Borrowings	25	70,748,374	77,346,701
Other liabilities	26	11,762,248	11,673,779
Donor funds	27	6,567,539	8,318,387
Lease liabilities	22(e)	10,913,973	9,242,090
Total liabilities		**256,065,618**	**236,042,550**
Equity			
Share capital	28	54,421,880	54,421,880
Retained earnings	28	8,723,988	3,724,988
Proposed dividends	28	1,314,960	657,960
Regulatory credit risk reserve	36	726,580	465,740
Total equity		**65,187,408**	**59,270,568**
Total liabilities and equity		**321,253,026**	**295,313,118**

*The comparative information has been restated to correct a material error relating to the non-accrual of management fees and the resulting impact on the deferred tax asset balance, related party payables, applicable taxes payable, and retained earnings, as disclosed in Note 42.

The accounting policies and notes set out on pages 18 to 98 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 23 March 2026, discussed with Bank of Uganda on 16 April 2026 and authorised for issue by the Board of Directors on 29 April 2026.

.... **Managing Director**

.... **Company Secretary**

.... **Chairperson, Board of Directors**

.... **Director**

BRAC UGANDA BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Share capital	Retained earnings/ (Accumulated losses)	Proposed dividends	Regulatory credit risk reserve	Total equity
At 1 January 2024		**54,421,880**	**(2,327,249)**	**-**	**816,675**	**52,911,306**
Total comprehensive income						
Profit for the year*		-	6,359,262	-	-	6,359,262
Total comprehensive income		**-**	**6,359,262**	**-**	**-**	**6,359,262**
Transactions with equity holders						
Dividends paid out	28	-	-	-	-	-
Proposed dividends	28	-	(657,960)	657,960	-	-
Total transactions with equity holders		**-**	**(657,960)**	**657,960**	**-**	**-**
Net transfer to regulatory reserve	**28**	**-**	**350,935**	**-**	**(350,935)**	**-**
At 31 December 2024*Restated		**54,421,880**	**3,724,988**	**657,960**	**465,740**	**59,270,568**
At 1 January 2025		**54,421,880**	**3,724,988**	**657,960**	**465,740**	**59,270,568**
Total comprehensive income						
Profit for the year		-	6,574,800	-	-	6,574,800
Other comprehensive income		-	-	-	-	-
Total comprehensive income		**-**	**6,574,800**	**-**	**-**	**6,574,800**
Transactions with equity holders						
Dividends paid out	28	-	-	(657,960)	-	(657,960)
Proposed dividends	28	-	(1,314,960)	1,314,960	-	-
Total transactions with equity holders		**-**	**(1,314,960)**	**657,000**	**-**	**(657,960)**
Net transfer to regulatory reserve	**28**	**-**	**(260,840)**	**-**	**260,840**	**-**
At 31 December 2025		**54,421,880**	**8,723,988**	**1,314,960**	**726,580**	**65,187,408**

*The comparative information has been restated to correct a material error relating to the non-accrual of management fees and the resulting impact on the deferred tax asset balance, related party payables, applicable taxes payable, and retained earnings, as disclosed in Note 42.

The accounting policies and notes set out on pages 18 to 98 form an integral part of these financial statements.

	Note	2,025	Restated* 2024
		Ushs ‘000	Ushs ‘000
Operating activities			
Net cash from operating activities	30	**15,851,714**	**9,283,553**
Investing activities			
Acquisition of property and equipment	19	(1,244,471)	(908,064)
Acquisition of intangible assets	21	(90,342)	(135,228)
Proceeds from disposal of property and equipment		82,085	44,492
Investment in capital work in progress	20	(1,335,738)	(1,893,518)
Net cash used in investing activities		**(2,588,466)**	**(2,892,318)**
Financing activities			
Receipts from borrowings and managed funds during the year	25(b)	20,040,181	35,477,685
Loan repayments during the year	25(b)	(26,339,143)	(32,751,397)
Principal repayment of lease liabilities	22(e)	(3,137,752)	(2,233,442)
Dividend paid		(657,960)	-
Receipt of donor funds	27(b) (c)& (d)	6,128,858	8,222,569
Net cash (used in)/ generated from financing activities		**(3,965,816)**	**8,715,415**
Net increase in cash and cash equivalents		**9,297,433**	**15,106,650**
Cash and cash equivalents at 1 January		**37,689,953**	**22,782,823**
Net increase in cash and cash equivalents		9,297,433	15,106,650
Effect of exchange rate fluctuations on cash and cash equivalents held		(235,413)	(199,520)
Cash and cash equivalents at 31 December	**29**	**46,751,973**	**37,689,953**

*The comparative information has been restated to correct a material error relating to the non-accrual of management fees and the resulting impact on the deferred tax asset balance, related party payables, applicable taxes payable, and retained earnings, as disclosed in Note 42.

The accounting policies and notes set out on pages 18 to 98 form an integral part of these financial statements.

1. BANK INFORMATION

BRAC Uganda Bank Limited a company limited by shares was incorporated on 06 June 2017 with BRAC International Holdings B.V. as the majority shareholder and acquired the business, assets and liabilities of BRAC Uganda Microfinance Ltd (by guarantee) with effect from 01 January 2018 following a re-organization of the company limited by guarantee.

On 07 March 2019, BRAC Uganda Bank Limited was awarded a license by Bank of Uganda authorizing the company to operate as a credit institution. Therefore, in addition to lending, the company also accepts call and time deposits.

BRAC began its work in Uganda in June 2006, it chose to work in Uganda because of the opportunities to make a significant difference in a post-conflict country with high poverty and fertility rates as well as demonstrate the potential of its "microfinance multiplied" approach to other institutions in the microfinance industry in the world.

BRAC Uganda Bank Limited's vision is in line with the vision for BRAC Bangladesh that they develop into a just, enlightened, healthy and democratic society free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex and ethnicity. In order to achieve this vision, BRAC uses a comprehensive approach to poverty reduction which strategically links to programs in Economic Development (Microfinance), Health, Education and Social Development, Human Rights and Services to create and protect the livelihoods of poor people.

BRAC's business model strongly reflects its philosophy, the core elements of the business model are BRAC's community outreach –based delivery methodology and its unwavering focus on borrowers at the poorer end of the poverty spectrum. These two principles – which distinguish BRAC Uganda Bank Limited from other microfinance operators in the world are apparent in the way BRAC has designed its operations.

The company prior to incorporation in 2017 was a component of BRAC Uganda which was first incorporated as BRAC Foundation in January 2006 and commenced its business in June 2006. In March 2007, the name was changed to BRAC through the Uganda Registration Services Bureau (URSB). Later the Microfinance and Non-Microfinance Programs were incorporated as independent companies in August 2008 and September 2010 respectively.

2. BASIS OF ACCOUNTING AND STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, Cap. 106 Laws of Uganda and the Financial Institutions Act, Cap. 57 Laws of Uganda.

(i) Basis of measurement

The financial statements are prepared under the historical cost convention except derivative financial instruments which are measured at fair value.

(ii) Functional and presentation currency

Except where otherwise stated, these financial statements are presented in thousands of Uganda shillings (Ushs '000), which is the Bank's functional currency.

3. MATERIAL ACCOUNTING POLICY INFORMATION

a) Use of judgements and estimates

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

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

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

- Note 33(d): establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

- Notes 3(o) and 33: classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

Assumptions and estimation uncertainty

Key assumptions and uncertainties that could materially impact asset and liability carrying values in the next financial year are detailed in the following notes:

(i) Impairment losses on financial assets
The Bank uses estimates and assumptions that affect reported amounts of assets and liabilities and reviews them continuously based on historical experience and reasonable future expectations.

The Bank regularly assesses its loan portfolio and other financial assets to determine and update expected credit losses (ECLs). ECL models, assumptions and forward-looking information are reviewed periodically to reduce differences between estimated and actual losses. (Refer to Notes 14, 15, 16 and 33.)

(ii) Provisions and contingent liabilities

A provision is recognized when, as a result of past events, the Bank has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle it. Management makes judgments regarding whether a present obligation exists as a result of past events at the reporting date. This involves assessing the probability of an outflow of resources embodying economic benefits and making a reliable estimate of the amount of the obligation. Management evaluates the status of legal claims, regulatory fines, and environmental obligations by weighing the "more likely than not" threshold to determine if a provision should be recognized or if the matter should be disclosed as a contingent liability. These judgments are based on the latest available information, legal counsel advice, and historical experience, noting that the actual outcome may differ from these estimates due to the inherent uncertainty of future events.

(iii) Deferred tax
Deferred tax assets are recognized for unused tax losses only to the extent it is probable that future taxable profits will be available to utilize them. This requires significant management judgment, considering the timing and level of future taxable profits and tax planning strategies.

The Bank has tax losses carried forward of Ushs 6.0 billion (2024: Ushs 14.9 billion), mainly arising from COVID-19-related operational losses in 2020. With the effects of the pandemic fading, the directors consider a recurrence unlikely. From 1 July 2023, losses can be carried forward for seven years, after which only 50% is deductible. Based on its assessment, the Bank expects to generate sufficient taxable profits to utilize the deferred tax asset. (Refer to Note 12.)

Deferred tax is measured based on the expected manner of recovery or settlement of the Bank's assets and liabilities at the reporting date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

a) Use of Judgements and Estimates (Continued)

(iv) Leases

Under IFRS 16, a lease exists when the Bank has the right to direct how and for what purpose an identified asset is used throughout the period of use (or when relevant decisions are pre-determined and the Bank has the right to operate the asset without the ability for others to change operating instructions). Measuring the right-of-use (ROU) asset and lease liability requires estimates of the lease term and the discount rate.

The lease term comprises the non-cancellable period plus renewal periods when the Bank is reasonably certain to exercise the option, and periods after an optional termination date when the Bank is reasonably certain not to terminate. Assessing renewal and termination options is therefore a key judgment in the lease calculation.

When determining the incremental borrowing rate (IBR) under IFRS 16, management applies judgment to estimate the interest rate that the entity would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This involves adjusting a risk-free or observable base rate for specific factors, including the entity's credit standing, the term of the lease, the nature and quality of the underlying collateral, and the specific currency or economic jurisdiction of the lease.

(v) Useful lives of property and equipment

Items of property and equipment are depreciated over their estimated useful lives, taking residual values into account where relevant. Useful lives and residual values are reviewed at least annually and may change based on factors such as expected market conditions, the asset's remaining life and estimated disposal proceeds.

b) Leases

At the inception of a contract, the bank assesses whether a contract contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

(i) The bank acting as a lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the bank recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the bank is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the bank's incremental borrowing rate is used. For leases that contain non-lease components, the bank allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.
The Bank presents lease liabilities in 'Lease liabilities' in the statement of financial position.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

b) Leases (Continued)

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease**.**

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.
All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liabilities. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If the ownership of the underlying asset is expected to pass to the bank at the end of the lease term, the estimated useful life would not exceed the lease term.

(ii) Short-term leases and leases of low-value assets

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

During the year, the Bank had short term lease expenses of Ushs 48.09 million (2024: Ushs 16.1 million).

(iii) Extension options

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

(iv) Lease terminations

On termination of a lease contract, the right of use asset and the lease liability are derecognized from the statement of financial position and the balancing figure recorded in the statement of comprehensive income as either a gain or loss on termination.

c) Property and equipment

i) Recognition and Measurement

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying value of property and equipment and recognized net with other income in profit or loss.

Subsequent costs are capitalised only when they increase the future economic benefits of the related asset (e.g., major upgrades). Day-to-day servicing and maintenance costs are expensed as incurred. Major inspections and significant replacements are capitalised and the carrying amount of the replaced component is derecognised

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

c) Property and equipment (Continued)

ii) Depreciation

Depreciation is recognized in profit or loss and calculated to write off the cost of the property and equipment on a straight-line basis over the expected useful lives of the assets.

The estimated depreciation rates for the current and comparative periods are as follows:

	Percentage
Motor vehicles, motorcycles, and bicycles	20%
Furniture and fixtures	12.5%
Equipment and computers	20%
Right of use assets	The shorter of the lease term and the useful life of the lease.

Management and directors review the depreciation methods, residual value and useful life of an asset at the year end and any change considered to be appropriate in accounting estimate is recorded through the income statement.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the operating result for the reporting period.

iii) Impairment of assets
All non-current assets are periodically tested for impairment in line with IAS 36, and any impairment losses are recognized in the books of account whenever the carrying amount of an asset exceeds its recoverable amount

iv) Revaluation of assets
Management assesses the Bank's selected class of assets and where necessary these are revalued at least every Five (5) years and updated in records in compliance with International Financial Reporting Standards. No revaluations have been applied in the financial statements as at 31st December 2025.

d) Foreign currency transactions

Transactions in foreign currencies are translated to Ugandan Shilling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ugandan Shilling at the spot rate on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ugandan Shilling at the foreign exchange rate ruling at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Ugandan Shilling at foreign exchange rates ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognized in the income statement.

e) Other assets

Other assets comprise prepayments and other receivables which arise during the normal course of business; they are carried at original invoice amount less provision made for expected credit losses. A provision for impairment of other financial receivables is established by estimating the probability of default and incorporating forward looking factors.

f) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days original maturity at inception of the contract and include: cash in hand, deposits held at call with the Bank, net of the Bank overdraft facilities subject to sweeping arrangements.

Investments with a longer maturity at acquisition become cash equivalents once their remaining maturity period falls to three months.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

g) Provisions and other liabilities

A provision is recognized if, as a result of a past event, BRAC Uganda Bank Limited has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Other accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received**.**

h) Taxation

Income tax
Current income tax is the expected tax payable on taxable income for the year, using tax rates enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

i) Revenue recognition

Revenue is recognized on an accrual basis.

(i) Interest income on loans and advances

Interest income is recognized in the Statement of Comprehensive Income on accrual basis using the effective interest method.

Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and charges paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(ii) Membership fees and other charges

Membership fees and other charges are recognized on an accrual basis when a customer obtains control of the services.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(iii) Other Income

Other income comprises administrative fees from CRB services, net gains on disposal of fixed assets, net gains on termination of leases, reversals of staff leave provisions previously recognized, payments in lieu of notice (for notice periods not served), and recoveries of previously written-off loans.

(iv) Net finance Income

The net finance income includes the exchange gains/ (losses) which arise from translation of foreign currency transactions and revaluations of foreign currency denominated assets and liabilities to Uganda Shillings. Financial assets and liabilities denominated in foreign currencies are translated to Ushs at the rate ruling at reporting date.

j) Grants

(i) Donor Grants

All donor grants received are initially recognized as deferred income at fair value and recorded as liabilities in the grants received in advance account upon receipt in accordance with IAS 20.
The portion of the grants utilized to purchase property and fixed assets are classified as deferred income and subsequently the portion of the depreciation expense of the same assets for the period is recognized in the statement of comprehensive income as grant income.

The portion of the grants utilized to reimburse microfinance program related expenditure is recognized as grant income for the period in the statement of comprehensive income.

The portion of the grants utilized to disburse Bank loans, are transferred as deferred income in loans to Bank members.

Donor grants received in kind, through the provision of gifts and /or services, are recorded at fair value (excluding situations when BRAC Uganda Bank Limited may receive emergency supplies for onward distribution in the event of a disaster which are not recorded as grants).

Grant income is classified as temporarily restricted or unrestricted depending upon the existence of donor-imposed restrictions. For completed or phased out projects and programs, any unutilized amounts are dealt with in accordance with consequent donor and management agreements.

For ongoing projects and programs, any expenditures yet to be funded but for which funding has been agreed at the end of the reporting period is recognized as Grants receivable.

The bank recognizes a grant payable when the grant agreement includes a contractual obligation to refund unspent funds (or to repay if certain conditions are not met), and that obligation exists at the reporting date; or when the bank has not complied with conditions that legally or constructively require repayment and repayment is probable; or when the funds have been received subject to specified uses and the bank has not used them in accordance with the agreement and intends (or is required) to return the unused amounts.

k) Managed funds

The Bank elected to recognize the funds under fiduciary management as part of assets and the corresponding liability as well.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

l) Employee benefits

The bank provides the short-term employee benefits to employees (which include; salaries, wages, bonus incentives, paid annual leave and non-monetary benefits) and post-employment benefits/defined contribution plans being the bank's provident fund and contributions to National Social Security Fund.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss.

m) Contingent liabilities

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the bank's control, or present obligations arising from past events that are not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount cannot be measured reliably.

Contingent liabilities are not recognized in the statement of financial position. They are disclosed in the notes unless the possibility of an outflow is remote. Contingent liabilities are reviewed at each reporting date and disclosure is updated to reflect changes in facts and circumstances.

n) Related party transactions

Related parties comprise directors, subsidiaries of BRAC International and key management personnel of the Bank and companies with common ownership and/or directors. Related party transactions result in financial assets and liabilities which are recognized and measured in accordance with the financial instruments policy as detailed in note 3 (p). Refer to note 17 for more details about related parties.

o) Financial assets and financial liabilities

Recognition and initial measurement

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

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue and subsequently measured at their amortized cost using the effective interest method less accumulated impairment losses.

Classification
Financial assets
After initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

p) Financial assets and financial liabilities (Continued)

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

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

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan.
- the fair value of the collateral relative to the amount of the secured financial asset.
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

p) Financial assets and financial liabilities (Continued)

- in the value of collateral.
- whether the borrower is an individual or a substantive operating bank or is a special purpose bank.
- the Bank's risk of loss on the asset relative to a full recourse loan.
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying asset.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.
If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset.

and

- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for Write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using an effective interest rate method.

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

p) Financial assets and financial liabilities (Continued)

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.
Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Derecognition other than for substantial modification
The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.
Where an existing financial liability is replaced by another from the same lender of substantially different terms, or the terms of an existing liability are modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

A financial asset is derecognized when the contractual rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial assets if, and only if either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset.

Or

- It retains the rights to the cash flows but has assumed an obligation to pay the cash flows received in full without material delay to a third party.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Bank has retained.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

— Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').

— It requires no initial net investment or has an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.

— It is settled at a future date

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative, in other assets and other liabilities respectively. Fully collateralised derivatives that are settled net in cash on a regular basis through the respective clearing houses are only recognised to the extent of the overnight outstanding balance.

The notional amount and fair value of such derivatives are disclosed separately in Note 31. Changes in the fair value of derivatives are included in profit or loss in the statement of comprehensive income.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts, and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

p) Financial assets and financial liabilities (Continued)

Fair value measurement
'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Impairment
The Bank recognizes loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments.
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognized on equity investments.

Measurement of ECL
The key inputs into the measurement of ECL are the term structure of the following variables;

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

ECL for exposure in stage 1: are calculated by multiplying the 12 months PD by LGD and EAD

Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

p) Financial assets and financial liabilities (Continued)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the historical recovery rates of claims against counterparties.

The LGD model considers the structure and recovery cost of any collateral that is integral to the financial asset. The LGDs are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential change to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is the gross carrying amount at the time of default.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

The Bank measures loss allowances using expected credit losses (ECL). For exposures with no significant increase in credit risk, it recognises 12-month ECL — the portion of expected losses from default events that are possible within the 12 months after the reporting date. These are classified as Stage 1 and measured on that 12-month basis. Lifetime ECL cover all possible default events over the expected life of the instrument and are recognised for exposures that have experienced a significant increase in credit risk (Stage 2) or that are credit-impaired (Stage 3).

Stage 2 instruments are those for which lifetime ECL are recognised but which are not credit-impaired; Stage 3 refers to credit-impaired exposures that also attract lifetime ECL. The Bank's policy links staging to default criteria primarily measured by days past due (DPD): exposures moving beyond specified DPD thresholds are escalated between stages, and reductions in DPD can result in downgrades between stages.

The policy also contains a cure rule and automation: an instrument is considered "cured" and may be reclassified out of Stage 3 when none of the default criteria have been present for at least two months. The Bank's system automatically assigns stages based on the DPD thresholds — loans that fall back from being more than 30 days past due to within 30 days are automatically moved from Stage 2 to Stage 1 (and vice versa), and similar automatic movement applies around the 90-day threshold between Stage 2 and Stage 3.
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

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

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

p) Financial assets and financial liabilities (Continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be recognized and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision and;
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Write-off (Continued)

The following events represent examples of circumstances which could lead to a full or partial write-off:

- The borrower is declared bankrupt or insolvent, especially in the case of unsecured exposures where the liquidator or administrator has indicated that there aren't sufficient resources available to satisfy the unsecured creditors
- Individually assessed loans that are secured are generally written off after the receipt of the proceeds from the realisation of the security, and there is no expectation that any further amounts will be recovered by any other means.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'other income in the statement of comprehensive income.

p) Regulatory credit risk reserve

This reserve represents the excess of the provisions for impairment of loans and advances determined in accordance with the Ugandan FIA Act over that determined in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

q) Dividend

Dividends declared after the statement of financial position date but before the financial statements are authorized for issue are disclosed in the notes. This is transferred from retained earnings to a separate item "proposed dividend" under equity.

r) Intangible Assets

Intangible assets are recognised when;

- It's probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost and subsequently measured at cost less accumulated amortisation and any impairment losses. The amortisation period and amortisation method for intangible assets are reviewed annually. Amortisation is provided to write down intangible assets on a straight-line basis to their residual values as follows:

Nature of intangible assets	Percentage
Core banking system	10%
Other intangible assets	20%

The other intangibles relate to the Teammate Audit software, Human Resource Management system (HRM System), Short Message Services Integration (SMS), Enterprise Service Bus (ESB), Credit Reference Bureau (CRB) installation services Cisco Fire Power, Database Activity Monitoring System, Network Access Control System and other automated process and security software systems deployed by the Bank.

An item of intangible assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

s) Comparatives

The directors consider whether restatements are required at every balance sheet date. This would arise from either requirements of new accounting standards effective and/or early adopted during the financial year, or as a result of correction of material errors or reclassification adjustments required in the prior year financial statements, to make the financial statements more understandable to the users. The Bank presents a third statement of financial position if the correction of the error has a material effect on the information in the statement.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

t) Deposits and Borrowings

Deposits and borrowings are the bank's sources of debt funding.

Deposits and borrowings are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost under the effective interest method.

u) New and amended standards and interpretations

i) New and amended standards adopted by the Company

New amendments or interpretation effective for annual periods beginning on or after I January 2025 are summarised below:

New amendments or interpretation	Effective for annual periods beginning on or after
▪ Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates	1 January 2025

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2025

A number of new accounting standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2025. The Bank does not plan to adopt these standards early and therefore they have not been applied in preparing the financial statements. The amendments, except IFRS 18, are not expected to have a material impact on the financial statements of the Bank.

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2025 (Continued)

The new standards and amendments are summarized below;

New amendments or interpretation	Effective for annual periods beginning on or after
▪ Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	1 January 2026
▪ Annual Improvements to IFRS Accounting Standards – Amendments to: — IFRS 1 First-time Adoption of International Financial Reporting Standards; — IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; — IFRS 9 Financial Instruments; — IFRS 10 Consolidated Financial Statements; and — IAS 7 Statement of Cash flows	1 January 2026
▪ Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7.	1 January 2026
▪ IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
▪ IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
▪ IFRS for SMEs third edition	1 January 2027
▪ IAS 21 The Effects of Changes in Foreign Exchange Rates	1 January 2027
▪ Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	Available for optional adoption effective date deferred indefinitely

u) New and amended standards and interpretations (Continued)

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new accounting standard introduces the following key new requirements.

- Entities are required to classify income and expenses recognised in the statement of profit or loss into the operating, investing, financing, income tax and discontinued operations categories, as defined by IFRS 18, and to present a mandatory operating profit subtotal.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Bank is still in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Bank's statement of comprehensive income, the statement of cash flows and the additional disclosures required for MPMs. The Bank is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. However, these pronouncements are not expected to have a material impact on the Bank's financial statements.

4. GOING CONCERN

The Bank is compliant with all debt covenants as at end of year 31st December 2025. During the year, the Bank remained with a positive bottom line and continues to leverage on its strategic objectives to continue performing even better. The Bank is also compliant with the revised regulatory capital requirements. With the commitment in driving the strategic business plan, the Board is confident that the Bank shall continue to operate in the foreseeable future.

The directors are not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

5. INTEREST INCOME ON LOANS AND ADVANCES

Interest income calculated using the effective interest method.

	2025	2024
	Ushs '000	Ushs '000
Group loans	68,904,365	68,541,308
Small enterprises program	30,544,741	27,827,676
Agriculture line of credit	637,778	-
Staff loan	265,408	232,869
BRAC salary loan	26,707	-
Loan appraisal fees	4,824,753	4,401,875
	105,203,752	**101,003,728**

6. OTHER INTEREST INCOME

Other interest income calculated using the effective interest method

	2025	2024
	Ushs '000	Ushs '000
Interest income on current accounts	697,629	643,939
Interest income from wallet to bank	52,178	37,280
Interest Income on Treasury Bills	703,298	170,805
Interest income on deposits with banks	4,824,499	2,593,252
	6,277,604	**3,445,276**

7. (a) INTEREST EXPENSE ON BORROWINGS

Interest expense calculated using the effective interest method

Lender	2025 Ushs '000	2024 Ushs '000
Bank of Africa	2,512,900	2,262,836
Oiko Credit	2,236,199	3,267,760
Kenya Commercial Bank (KCB)	452,101	905,146
aBi Trust	3,338,143	2,443,206
Stichting Oxfam Novib	157,318	957,883
BRAC International Holdings BV	25,466	25,892
BRAC International Finance BV	828,012	-
Citibank Uganda	-	215,786
SOLUTI	94,646	335,354
ABSA-Swap	1,110,488	-
	10,755,273	**10,413,863**

7. (b) OTHER FINANCE COSTS

Other finance costs calculated using the effective interest method

	2025 Ushs '000	2024 Ushs '000
Service charge on borrowings	664,422	798,457
Interest expense on voluntary savings	9,650,810	7,388,963
Interest on lease liability (note 22(c))	1,398,483	1,349,427
	11,713,715	**9,536,847**

8. (a) MEMBERSHIP FEES AND OTHER CHARGES

Fees and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major service lines, as presented below.

	2025 Ushs '000	2024 Restated Ushs '000
Membership fee	341,875	349,845
Loan application fee	245,705	234,510
Ledger fees	4,903,833	5,109,035
Other fees from banking operations*	1,194,212	310,477
Administrative fee from credit life insurance	365,366	347,399
Sale of passbooks	48,224	43,546
	7,099,215	**6,394,812**

* Other fees from banking operations relate to income from mobile banking fees, cash withdrawal fees and EFT fees. The comparative information has been adjusted to reclassify the income from write off recovery from membership fee and other charges to other income (Note 8 (b)) to better reflect the nature of the transaction (Note 42).

Performance obligations

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Category A	These are transactional fees based on revenue that mainly comprise, but are not limited to, ledger fees.	▪ Enforceable arrangement with customer exists. ▪ Performance obligation (PO) – the Bank provides account transaction services ▪ Transaction price – monthly fees in line with the contractual agreement. ▪ Allocation of price to PO – single performance obligation, no allocation necessary. ▪ PO satisfied – Revenue is currently recognised at the end of the month, for the services provided during that month (operational efficiency).

8. (a) MEMBERSHIP FEES AND OTHER CHARGES (Continued)

Performance obligations (Continued)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Category B	These are membership fees charged to customers.	▪ Enforceable arrangement with customer exists. ▪ Performance obligation (PO) – the Bank admits the client as a member eligible for a loan. ▪ Transaction price – annual fees in line with the contractual agreement. ▪ Allocation of price to PO – single performance obligation, no allocation necessary. ▪ PO satisfied – At a point in time when the individual has been admitted as a member.
Category C	These are transactional fees based on revenue that comprise of sale of pass books and other fees from banking operations.	▪ Enforceable arrangement with customer exists. ▪ Performance obligation (PO) – the Bank sells passbooks to customers and charges fees for account transactions. ▪ Transaction price – fee charged in terms of the arrangement with the customer at the point of transaction ▪ Allocation of price to PO – single performance obligation, no allocation necessary. ▪ PO satisfied – At a point in time when the transaction is processed.

There are no material contract assets and contract liabilities that arise from the membership fees and charges

8. (b) OTHER INCOME

	2025 Ushs '000	2024 Restated Ushs '000
Other operating income	904,341	388,097
Gain on termination of leases	463,080	114,287
Income from write-off recovery	1,553,182	1,719,232
	2,920,603	**2,221,616**

Other operating income includes administrative fees from CRB services, gains on disposal of assets, termination of leases, reversals of staff leave provisions previously held and payments made in lieu of notice (for notice periods not served). Income from write off recovery relates to the cash collections on previously written off loans.
The comparative information has been adjusted to reclassify the income from write-off recovery from membership fee and other charges (Note 8 (a)) to other income to better reflect the nature of the transaction (Note 42)

9. NET FINANCE INCOME

	2025 Ushs '000	2024 Ushs '000
Realized foreign currency gain	125,113	27,349
Unrealized foreign currency gain	750,325	523,688
Realized foreign currency loss	(76,745)	(51,817)
Unrealized foreign currency loss	(724,167)	(454,749)
	74,526	**44,471**

The exchange gains/ (losses) arise from translation of foreign currency transactions and revaluations of foreign currency denominated assets and liabilities to Uganda Shillings. Financial assets and liabilities denominated in foreign currencies are translated to Ushs at the rate ruling at reporting date.

10. STAFF COSTS

	2025 Ushs '000	2024 Ushs '000
Salaries	36,238,710	32,796,252
Incentives	112,403	185,768
Special occasion	2,955,696	2,725,597
Contribution to defined contribution plan (NSSF - Employer)	3,647,966	3,351,402
Insurance for staff	2,881,542	2,315,866
Staff meals	3,105,465	2,619,118
Recruitment and relocation expense	291,283	297,100
Overtime	30,239	27,341
Group life insurance	96,680	77,080
Payment in lieu of notice	42,195	300,817
Provident fund	1,667,298	1,055,359
Staff training and development	955,823	933,573
Staff loan benefit	38,776	45,832
Leave days accrual	-	41,684
Home leave expense	42,383	47,290
Long service award expense	98,649	222,291
	52,205,108	**47,042,370**

11. OTHER OPERATING EXPENSES

	2025 Ushs '000	2024 Restated Ushs '000
Occupancy expenses – note 11 (a)	5,980,357	5,915,423
Publication, advertising, and marketing costs	419,853	190,269
Travel and transportation	10,082,276	8,924,643
Maintenance and general expenses	2,417,658	1,658,950
Loss on disposal of property and equipment	-	4,798
Printing and office stationery	1,767,332	1,852,358
Insurance for assets	56,145	44,488
Insurance for cash	54,099	43,426
Bad debts write off	453,149	88,955
Software development and maintenance	2,672,522	3,143,181
Consultancy and legal services	1,623,809	1,272,406
Office equipment	164,799	158,264
Audit fees**	277,270	249,744
Digitization costs	1,274,210	1,048,232
Provision for donations	463,871	481,482
Cash defalcation	54,739	-
Loan recovery costs	176,218	103,700
Governance/Board costs	799,454	709,554
Loss on agent banking decommission*	595,579	-
Management fees	2,401,038	3,245,982
Low value assets	2,050	-
Communication costs	1,475,527	1,471,839
	33,211,955	**30,607,694**

(a) Occupancy expenses are analyzed as follows:

	2025 Ushs '000	2024 Restated Ushs '000
Short term lease expenses	48,090	16,140
Utilities	907,365	950,697
Office cleaning	492,396	458,574
Security	4,532,506	4,490,012
	5,980,357	**5,915,423**

11. OTHER OPERATING EXPENSES (CONTINUED)

*The bank decommissioned agent banking service during the year resulting into a loss on disposal of software and POS machines.
** Audit fees represent the fees that have been charged for the financial statements audit for the current financial year. There are no other non-audit fees paid to the external auditor.

12. TAXATION

(a) Income tax charge

	2025	2024 Restated
	Ushs '000	Ushs '000
(Over)/under provision of deferred tax in prior years (note 12 (b))	(105)	(13,450)
Deferred tax charge (note 12 (b))	2,236,759	2,802,362
Income tax charge	**2,236,654**	**2,788,912**

The corporation tax rate is set at 30% (2024; 30%) of the profit/(loss) for the year as adjusted for tax purposes in accordance with the Income Tax Act Cap 340.
The tax charge on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows.

	2025		2024 Restated	
	Effective tax rate	Ushs '000	Effective tax rate	Ushs '000
Profit before taxation		8,811,454		9,148,174
Tax calculated at 30% (2024:30%)	**30.0%**	**2,643,436**	**30.0%**	**2,744,452**
Tax effect of:				
Non-deductible expense	(4.6%)	(406,677)	0.6%	57,910
Prior year (over)/under provision of deferred tax	(0.0%)	(105)	(0.1%)	(13,450)
	25.4%	**2,236,654**	**30.5%**	**2,788,912**

(b) Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using the principal tax rate of 30% (2024:30%). The net deferred tax assets as at year-end was attributed to the following items: -

31 December 2025	01 Jan 2025	Under provision of deferred tax in prior years	Movement	31 Dec 2025
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Property and equipment	1,535,307	-	(690,865)	844,442
Leases	(569,770)	-	223,928	(345,842)
Impairment losses on Loans and Advances	(461,577)	-	46,438	(415,139)
Other provisions*	(693,541)	-	(6,711)	(700,252)
Unrealized foreign exchange loss/gain	20,682	-	(12,834)	7,848
Income tax losses carried forward	(4,487,991)	(105)	2,676,803	(1,811,293)
Net deferred tax asset @ 30%	**(4,656,890)**	**(105)**	**2,236,759**	**(2,420,236)**

31 December 2024 Restated	01 Jan 2024	Under provision of deferred tax in prior years	Movement	31 Dec 2024
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Property and equipment	1,618,956	(35,797)	(47,852)	1,535,307
Leases	(599,581)	34,287	(4,476)	(569,770)
Impairment losses on Loans and Advances	(311,986)	-	(149,591)	(461,577)
Other provisions*	(666,983)	-	(26,558)	(693,541)
Unrealized foreign exchange loss	39,514	-	(18,832)	20,682
Income tax losses carried forward	(7,525,722)	(11,940)	3,049,671	(4,487,991)
Net deferred tax asset @ 30%	**(7,445,802)**	**(13,450)**	**2,802,362**	**(4,656,890)**

*Other provisions include ECL provisions for deposits due from other banks and fixed deposits, bonus, leave, long service award.

12. TAXATION (Continued)

(c) Income tax recoverable

	2025	2024 Restated
	Ushs '000	Ushs '000
At 1 January	(41,911)	(41,911)
Charge for the period	-	-
Under provisions in previous periods	-	-
Corporation tax paid during the year	-	-
At 31 December	**(41,911)**	**(41,911)**

13 (a) CASH AND BANK BALANCES

	2025	2024
	Ushs '000	Ushs '000
Cash in hand	2,439,617	2,466,889
Total	**2,439,617**	**2,466,889**

There is no Bank of Uganda cash reserve requirement.

13 (b). INVESTMENTS IN GOVERNMENT SECURITIES

	2025	2024
	Ushs '000	Ushs'000
Government Securities	7,556,206	4,617,758
ECL allowance	(31,203)	(31,203)
Net Investment in Government Securities	**7,525,003**	**4,586,555**

Maturity analysis of the investments

	2025	2024
	Ushs’000	Ushs’000
Above 90 days maturity	-	-
Less than 90 days maturity	7,525,003	4,586,555
Total	**7,525,003**	**4,586,555**

Government securities relate to investment in government of Uganda (Credit Rating – B, Fitch) treasury bills and have original maturities of less than 90 days and are held solely for attainment of interest and principal on maturity. Accordingly, Government securities are accounted for at amortised cost. The weighted average effective interest rates on investments in Government securities were 11.5% (2024:10%) per annum. The carrying book values of the deposits with the banks approximate their fair values. They have been calcified as cash and cash equivalents (note 29).

14. DEPOSITS AND BALANCES DUE FROM BANKS

(a) Deposits with other banks	**Credit Rating**	**2025**	**2024**
		Ushs '000	**Ushs '000**
Standard Chartered Bank	A	54,633	342,013
Bank of Africa	B	22,433,453	15,305,106
Centenary Bank	B	481,154	446,395
Equity Bank	B	84,928	66,553
DFCU Bank	B	30,669	23,844
Pearl Bank	B	306,325	205,047
Pride Bank	B	18,102	16,993
Stanbic Bank	B	8,531,295	10,194,654
Absa	B	313,814	-
Kenya Commercial Bank	B	2,978,437	3,272,966
Deposits with other banks		**35,232,810**	**29,873,571**
ECL allowance		(557,310)	(201,856)
Net deposits with other banks		**34,675,500**	**29,671,715**

14. DEPOSITS AND BALANCES DUE FROM BANKS (CONTINUED)

Deposits with other banks have an original maturity of less than 90 days and there is no penalty on access or withdrawal of these balances. These form part of the Bank's cash and cash equivalents. These form part of the Bank's cash and cash equivalents. The credit rating above is as per Fitch. To the extent that for a counterparty not rated the bank applies the country rating.

(b) Placements with other banking Institutions	**Credit Rating**	**2025**	**2024**
		Ushs '000	**Ushs '000**
UGAFODE	B	5,611,385	2,051,192
Pride Bank	B	9,537,597	11,263,617
FINCA	B	5,608,314	2,023,518
Opportunity Bank	B	10,931,778	10,763,699
Housing Finance Bank	B	1,020,712	-
I&M	B	5,396,182	-
NCBA	B	2,104,328	-
Total		**40,210,296**	**26,102,026**
ECL allowance		(141,319)	(176,371)
Net placements with other banking institutions		**40,068,977**	**25,925,655**
		74,744,477	**55,597,370**

(c) Deposits and balances due from banks:

The placements and balances with other banks are analyzed as follows:

	2025	**2024**
	Ushs '000	**Ushs '000**
Deposit with other banks	34,675,500	29,671,715
Placements with other banking institutions	40,068,977	25,925,655
	74,744,477	**55,597,370**

The weighted average effective interest rates on deposits due from the banks were 12.66% (2024:11%) per annum. The carrying book values of the deposits with the banks approximate their fair values.

(d) Movement in Expected Credit Losses	**Bank balances**	**Investment in Government securities**	**Placements**
	Ushs '000	**Ushs '000**	**Ushs '000**
At 1 January 2024	**135,707**	**-**	**121,537**
Increase/decrease for the year (Note 16)	66,149	31,203	54,834
At 31 December 2024	**201,856**	**31,203**	**176,371**
Increase/decrease during the year (Note 16)	355,454	-	(35,052)
At 31 December 2025	**557,310**	**31,203**	**141,319**

15 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances net.

	2025	**2024**
	Ushs '000	**Ushs '000**
Microfinance Group loans	126,963,742	127,615,405
Small Enterprises Program	81,505,441	74,352,255
Staff loan	2,520,934	1,597,360
Salary Loan	171,292	-
Agriculture line of credit	2,851,860	-
Gross loans and advances	**214,013,269**	**203,565,020**
Deferred loan fees	(1,833,679)	(1,802,152)
Deferred staff expense	(205,040)	(161,320)
	211,974,550	**201,601,548**
Expected credit losses		
Stage 1	(132,300)	(122,191)
Stage 2	(28,833)	(28,002)
Stage 3	(4,198,241)	(4,622,793)
	(4,359,374)	**(4,772,986)**
Net loans and advances to customers	**207,615,176**	**196,828,562**

15. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

ECLs on loans and advances registered a 9% improvement in 2025 despite a 5% growth in the loan book, in comparison to 2024. This is largely a result of the improved loan quality, especially for stage 2 and stage 3 loans.

The weighted average effective interest rate on loans and advances to customers was 49.94% (2024: 53.4%) per annum. Loans and advances to customers are carried at amortized cost. The carrying values of the loans and advances to customers approximate their fair values.

	2025	2024
Highest loan amount (Ushs)	180,000,000	100,000,000
Lowest loan amount (Ushs)	200,000	100,000
Average loan term (weeks)	40	40
Total number of borrowers	185,511	183,403

The Bank did not advance any facilities exceeding 25% (2024: 25%) of core capital to a single person or group of related persons during the year.

(b) Expected credit loss on loans and advances

The movement in the allowance for impairment for loans and advances to customers during the year was as follows:

	2025 Ushs '000	2024 Ushs '000
At 1 January	4,772,986	3,421,700
Charge for the year	4,324,868	4,962,650
Loan write-off	(4,738,480)	(3,611,364)
At 31 December	**4,359,374**	**4,772,986**

	2025 Ushs '000	2024 Ushs '000
Charge to profit or loss		
Net increase in provisions	4,324,868	4,962,650
Net charge to profit or loss (Note 16)	**4,324,868**	**4,962,650**

There were no loan restructurings made during the year. There is therefore no loan modification.

(c) Sectoral analysis of loans and advances to customers

	2025 Ushs '000	2024 Ushs '000
Trade	120,319,090	124,098,380
Agriculture	46,130,325	41,353,863
Business services	9,100,137	7,900,353
Manufacturing	10,844,940	10,237,577
Community, social & other services	7,053,162	6,983,225
Building, construction, and real estate	10,389,960	8,912,906
Personal loans and household loans	861,574	1,394,955
Transport and communication	1,589,532	1,415,729
Mining and quarrying	990,526	882,006
Electricity and water	80,650	229,455
Other services	255,280	156,571
	207,615,176	**203,565,020**

Impairment and provisioning policies

The Bank recognizes the allowance for expected credit losses on all loans and advances. The Bank at each reporting date, measures the loss allowance for all loans and advances at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition whether assessed on an individual or collective basis considering all reasonable and supportable information, including that which is forward-looking.

15. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Measurement of Expected Credit Losses

The Bank measures the loss allowance on loans and advances at an amount equal to the 12-month or lifetime expected credit losses depending on whether or not the credit risk has increased significantly since initial recognition. The expected credit losses shall be determined as follows:

ECL = PD x LGD x EAD

Expected Credit Losses (ECL): The weighted average credit losses with the respective risks of a default occurring as the weights.

Probability of Default (PD): This relates to an estimate of the likelihood of default over a given time horizon.

Loss Given Default (LGD): This relates to an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

Exposure at Default (EAD): This is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
Further details on how the above parameters are determined are well stipulated in the Bank's loss provisioning process.

Loans and advances are categorized into the following grades:

Micro loans

Status	**Days in arrears**	**Loan category**
Stage 1	0-7	Performing
Stage 2	8-29	Performing with significant increase in credit risk
Stage 3:	Over 29	Non-performing

Non-micro loans

Status	**Days in arrears**	**Loan category**
Stage 1	0-29	Performing
Stage 2	30- 89	Performing with significant increase in credit risk
Stage 3:	Over 89	Non-performing

16. EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS – CHARGE TO PROFIT OR LOSS

	2025	**2024**
	Ushs '000	**Ushs '000**
Loans and advances (note 15 b)	4,324,868	4,962,650
Bank balances (note 14 a)	355,454	66,149
Investment in government securities (note 13 b)	-	31,203
Placements (note 14 b)	(35,052)	54,834
	4,645,270	**5,114,836**

17. RELATED PARTY DISCLOSURES

BRAC Uganda Bank Limited's ultimate parent is BRAC International Holdings B.V., incorporated in the Netherlands. BRAC Uganda and BRAC Bangladesh are affiliate entities. The Bank also transacts with other related entities under common shareholding as follows. All related party balances are settled on a cash basis in the normal course of business.

(a) RELATED PARTY RECEIVABLES

	2025	**2024 Restated**
	Ushs '000	**Ushs '000**
BRAC International Holdings BV	109,694	3,940,526
BRAC Uganda NGO	-	742,151
	109,694	**4,682,677**

17. RELATED PARTY DISCLOSURES (CONTINUED)

(b) RELATED PARTY PAYABLES

	2025 Ushs '000	2024 Ushs '000
BRAC International Holdings BV	1,808,605	7,311,096
Payable to Brac Uganda NGO	-	-
BRAC Bangladesh	42,289	54,197
Payable to BRAC International- Stichting	41,421	-
	1,892,315	**7,365,293**

Related-party receivables and payables arise from intercompany transactions that are interest-free, unsecured, and due on demand; accordingly, their fair values approximate their carrying amounts.

Receivables from BRAC Uganda NGO primarily relate to shared services where the Bank settles costs on behalf of the NGO and is subsequently reimbursed. As of year-end, the receivable from BRAC International Holdings B.V. stood at Ushs 109 million, representing tax consultancy fees paid by the Bank on behalf of the Group. Conversely, payables to BRAC International Holdings B.V. relate to management fees for services rendered, totaling Ushs 1.8 billion for the year (excluding applicable taxes such as WHT and reverse VAT).

Payables to BRAC Bangladesh consist of Ushs 42 million for provident fund and gratuity obligations for expatriate staff seconded from BRAC International, as well as training costs incurred by the Bank. Additionally, Ushs 41 million is payable to BRAC International-Stichting for shared services related to group reporting software.

During 2025, the Bank settled all outstanding management fees due to BRAC International Holdings B.V. (BIHBV) for the period from 2022 to December 31, 2024, in accordance with the existing Memorandum of Understanding. This settlement included Ushs 2,717 million (inclusive of all local taxes) that was not accrued in 2024. Consequently, the 2024 payables balance has been restated to ensure accuracy, in line with IAS 8 and the details provided under Note 42.

(c) OTHER RELATED PARTY TRANSACTIONS DURING THE YEAR

i) Loans and advances to related party

	2025 Ushs '000	2024 Ushs '000
To senior management	59,942	**-**
To related party (BRAC NGO staff)	171,294	-
	231,236	-

	2025 Ushs '000	2024 Ushs '000
Interest earned on loans to related party	**27,478**	-

At 31 December 2025, there were 6 (Six) loans amounting to Ushs 369 million extended to senior management and companies controlled by directors or their closely connected persons with a total outstanding balance of Ushs 231 million (2024: Ushs Nil). The loans to senior management were secured by property and offered at an interest rate of 9% while the ones to BRAC NGO staff are unsecured and offered at an interest rate of 14%.

ii) Key management compensation

Key management compensation includes Directors (executive and non-executive) and the members of senior management. The compensation paid or payable to key management for employment services is shown below:

	2025 Ushs '000	2024 Ushs '000
Salaries and other short-term compensation	5,303,724	3,189,119
Post employment contribution	199,926	104,206
iii) Directors' remuneration		
Fees for services of directors	405,110	391,037

The financial statements disclose the total directors' remuneration for the year. Detailed directors' remuneration particulars are maintained in the Company's statutory records and are submitted to the Registrar of Companies in the normal course of compliance. There were no share options or any other benefits for the directors except the remuneration disclosed above.

18. OTHER ASSETS

		2025 Ushs '000	2024 Ushs '000
Financial assets			
Employee receivables (work related advances) *		37,102	70,238
Mobile money receivables**		1,523,340	731,735
	A	**1,560,442**	**801,973**
Non-financial assets			
Advance to suppliers		677,487	730,737
Prepaid insurance		1,657,881	1,607,597
WHT receivable		6,749	3,220
Donor grants receivable (note 27(f))		30,794	36,488
Employee receivables		13,824	7,124
Security deposit		-	3,734
Deferred staff expense (Arising from fair value of staff loans)[1]		166,264	115,488
	B	**2,552,999**	**2,504,388**
	A+B	**4,113,441**	**3,306,361**

[1]Deferred staff expense relates to staff loans whose fair value is determined on an annual basis using the mark-to-market approach to ascertain the changes in the market lending rate and the nominal interest rate on loans.

**Mobile money receivables relate to receivables from mobile banking platforms such as MTN and Airtel. These balances are short term in nature with credit term of 1-30 days as such, have been classified as cash and cash equivalents. (Refer to note 29).

*Employee receivables (work related advances) have a credit term of 1-30 days.

The ECL on the other assets has not been recognised as this has been considered immaterial.

19. PROPERTY AND EQUIPMENT

	Furniture Ushs '000	Equipment Ushs '000	Motor vehicles Ushs '000	Total Ushs '000
Cost				
At 1 January 2024	**10,991,133**	**16,453,663**	**768,887**	**28,213,683**
Additions	350,618	557,446	-	908,064
Capitalization of capital work in progress	340,009	411,321	358,499	1,109,829
Disposal	(466,132)	(385,393)	(751)	(852,276)
At 31 December 2024	**11,215,628**	**17,037,037**	**1,126,635**	**29,379,300**
Additions	338,016	905,230	1,225	1,244,471
Capitalization of capital work in progress	273,200	711,048	346,580	1,330,828
Disposal	(364,809)	(685,480)	(172,064)	(1,222,353)
At 31 December 2025	**11,462,035**	**17,967,835**	**1,302,376**	**30,732,246**
Depreciation				
At 1 January 2024	**7,267,500**	**13,561,427**	**451,852**	**21,280,779**
Charge for the year	1,326,860	1,299,387	138,808	2,765,055
Accumulated depreciation on disposal	(415,922)	(373,002)	(751)	(789,675)
At 31 December 2024	**8,178,438**	**14,487,812**	**589,909**	**23,256,159**
Charge for the year	1,307,429	1,035,285	179,790	2,522,504
Accumulated depreciation on disposal	(356,258)	(262,703)	(164,977)	(783,938)
At 31 December 2025	**9,129,609**	**15,260,394**	**604,722**	**24,994,725**
Net carrying amount				
At 31 December 2024	**3,037,190**	**2,549,225**	**536,726**	**6,123,141**
At 31 December 2025	**2,332,426**	**2,707,441**	**697,654**	**5,737,521**

The comparative information has been adjusted to include the transfer to low value assets within the disposals.

20. CAPITAL WORK IN PROGRESS

	Computer software Ushs '000	Hardware Ushs '000	Branch refurbishment Ushs '000	Total Ushs '000
Cost				
At 1 January 2024	**2,807,108**	**59,921**	**174,391**	**3,041,420**
Additions	186,286	1,458,034	249,198	1,893,518
Transfer to intangible asset	(1,839,113)	-	-	(1,839,113)
Transfer to property and equipment	-	(769,820)	(340,009)	(1,109,829)
Write off	(52,986)	(56,731)	(55,766)	(165,483)
At 31 December 2024	**1,101,295**	**691,404**	**27,814**	**1,820,513**
Additions	121,610	519,680	694,448	1,335,738
Capitalized	-	(1,057,628)	(273,200)	(1,330,828)
Write off		(30,024)	(9,172)	(39,196)
At 31 December 2025	**1,222,905**	**123,432**	**439,890**	**1,786,227**

The items included in the capital works in progress relate to purchase commitments for fixed assets that include furniture, branch refurbishments, and digital field application developments.

The comparative information has been restated to show the change in the narrative to reflect the write off of capital work in progress from transfer to profit or loss.

21. INTANGIBLE ASSETS

	2025 Ushs '000	2024 Ushs '000
Cost		
At 1 January	**13,058,992**	**11,084,651**
Additions	90,342	135,228
*Software write-off	(2,477,110)	-
Capitalization of capital work in progress	-	1,839,113
At 31 December	**10,672,224**	**13,058,992**
Amortisation		
At 1 January	**5,199,600**	**3,976,992**
Charge for the year	1,071,417	1,222,608
Accumulated depreciation on write-off	(557,349)	-
At 31 December	**5,713,668**	**5,199,600**
Net carrying amount		
At 31 December	**4,958,556**	**7,859,392**

The intangibles relate to the core banking system, Teammate Audit Software, Human Resource Management system, SMS integration, Enterprise Service Bus (ESB), Credit Reference Bureau installation services, ACL analytics audit software, call center service (PABX), the bank’s website, Microsoft software.
*The software written off during the year 2025 relates to a terminated agency banking platform.

22. LEASES

The Bank leases a number of branches and head office premises. The leases typically run for a period of 2-10 years, with an option to renew the lease after that date. Information about leases for which the Bank is a lessee is presented below.

a) Right-of-use assets

Right- of-use assets relate to leased branches and office premises

	Premises	Equipment	Motor Vehicles	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Cost				
As at 1 January 2024	20,837,980	325,398	-	21,163,378
Additions	1,350,743	277,028	190,233	1,818,004
Terminations of leases	(2,613,006)	-	-	(2,613,006)
Lease remeasurement	103,002	-	-	103,002
As at 31 December 2024	**19,678,719**	**602,426**	**190,233**	**20,471,378**
Additions	5,932,807	261,785	-	6,194,592
Terminations of leases	(7,999,238)	-	-	(7,999,238)
Lease remeasurement	303,479	-	-	303,479
As at 31 December 2025	**17,915,767**	**864,211**	**190,233**	**18,970,211**

	Premises	Equipment	Motor Vehicles	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Amortization				
As at 1 January 2024	12,607,218	81,349	-	12,688,567
Charge for the year	2,409,168	126,076	10,568	2,545,812
Termination of leases	(2,214,327)	-	-	(2,214,327)
Lease remeasurements	108,469	-	-	108,469
As at 31 December 2024	**12,910,528**	**207,425**	**10,568**	**13,128,521**
Charge for the year	2,519,974	199,044	63,411	2,782,429
Termination of leases	(6,701,906)	-	-	(6,701,906)
As at 31 December 2025	**8,728,596**	**406,469**	**73,979**	**9,209,044**
Net Book Value				
As at 31 December 2024	**6,768,191**	**395,001**	**179,665**	**7,342,857**
As at 31 December 2025	**9,187,171**	**457,742**	**116,254**	**9,761,167**

As at 31 December 2025, the future minimum lease payments under non-cancellable operating leases were as follows.

b) Maturity analysis – Contractual undiscounted cash flows

	2025	2024
	Ushs'000	Ushs'000
Less than one year	3,858,429	99,251
Between one and five years	7,358,088	8,992,437
More than five years	1,941,208	1,313,894
Total undiscounted lease liabilities at 31 December	**13,157,725**	**10,405,582**

22. LEASES (CONTINUED)

c) Amounts recognized in profit or loss

Leases under IFRS 16	2025 Ushs'000	2024 Ushs'000
Interest on lease liability (Note 7(b))	(1,398,483)	(1,349,427)
Gain on termination of the lease (Note 8(b))	(463,080)	(114,287)
Depreciation expense of right-of-use assets	(2,782,429)	(2,545,812)
Expenses relating to short term leases (Note 11(a))	48,090	16,140
	(4,595,902)	**(3,993,386)**

d) Amounts recognized in the statement of cash flows

	2025 Ushs'000	2024 Ushs'000
Interest paid on lease liabilities	1,371,068	1,646,882
Repayment of principal portion of lease liabilities	3,137,752	2,233,442
Gain on termination	(461,184)	(114,287)
Total cash outflow for leases	**4,047,636**	**3,766,037**

e) Lease liabilities

	Premises Ushs '000	Equipment Ushs '000	Motor Vehicles Ushs '000	Total Ushs '000
Opening balance	**10,206,055**	**267,361**	**-**	**10,473,416**
New leases	1,350,743	277,028	190,233	1,818,004
Interest expense	1,291,910	53,483	4,034	1,349,427
Termination of leases	(517,819)	(614)	-	(518,433)
Lease payments	(3,704,478)	(156,773)	(19,073)	(3,880,324)
As at 31 December 2024	**8,626,411**	**440,485**	**175,194**	**9,242,090**
New leases during the period	5,932,807	261,785	-	6,194,592
Lease remeasurement	303,479	-	-	303,479
Interest expense	1,315,873	62,393	20,217	1,398,483
Terminations of leases	(1,715,852)	-	-	(1,715,852)
Interest payment	(1,274,027)	(73,795)	(23,245)	(1,371,067)
Principal payment	(2,916,307)	(168,400)	(53,045)	(3,137,752)
As at 31 December 2025	**10,272,384**	**522,468**	**119,121**	**10,913,973**

Extension options

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

23. LOAN SECURITY FUND

	2025 Ushs '000	2024 Ushs '000
Opening balance	-	32,417,848
Received during the year	-	22,260,205
Transfer to customer deposits	-	(54,678,053)
Closing balance	**-**	**-**

The Loan Security Fund acts as collateral to the Bank for the customers' loan obligations. This is computed as 10% of the customers' approved loan. In the event of any default, the clients forfeit all or part of the Loan Security Fund to the extent of the amount at risk. It is repayable on completion of the loan upon claim by the borrower. The fair value of loan security fund approximates the carrying amount.

During the year 2024, the Bank obtained approval from the Bank of Uganda to intermediate the Loan Security Fund into its deposit portfolio and this has been implemented henceforth.

24. DEPOSITS FROM CUSTOMERS

	2025 Ushs '000	2024 Ushs '000
Savings accounts	72,173,232	68,000,165
Transaction accounts	3,201,896	2,378,815
Fixed deposits	78,806,041	51,717,320
	154,181,169	**122,096,300**

The weighted average effective interest rate on deposits from customers is 6.4% (2024: 6.06%) per annum. The balances disclosed above include loan security fund balances of Ushs 34,066 million (2024 Ushs. 32,417 million) collected from customers as security for the advanced loans.

25. BORROWINGS AND MANAGED FUNDS

25 (a) Borrowed funds and managed funds	2025 Ushs '000	2024 Ushs '000
Bank of Africa (ii)	15,190,325	18,448,716
Oiko Credit (viii)	13,787,916	20,696,721
aBi Finance Limited (v)	19,691,794	28,542,294
BRAC International Finance BV (BIFBV) Senior debt (iii)	19,008,892	-
BRAC International Holdings BV-BIHBV (Subordinated debt) (iv)	612,790	595,524
Soluti Finance East Africa (vi)	222,892	1,242,576
Kenya Commercial Bank (ix)	861,611	3,984,737
Stichting Oxfam Novib (vii)	-	2,711,964
Loan arrangement fees	(94,947)	(176,518)
Managed funds- Kiva (i)	1,467,101	1,300,687
	70,748,374	**77,346,701**

i) Kiva

In November 2007, BRAC Uganda Bank Limited entered into a hosting agreement with Kiva, allowing the Bank to post on Kiva's website profiles of businesses seeking debt capital and proposed lending terms, with the aim of mobilising funding from individuals and entities using the platform. The funding is provided as interest-free loans, with the first tranche received in December 2007.

During 2025, the Bank received USD 263,156 and repaid USD 205,233. As at 31 December 2025, the facility had an outstanding balance of USD 407,424 (equivalent to Ushs 1.47 billion). The loan is unsecured and bears no interest.

ii) Bank of Africa

In February 2024 the Bank received a new loan facility of Ushs 20 billion for the period of 5 years from Bank of Africa. Interest and principal are paid on a quarterly basis at a rate of 15% p.a. The outstanding balance is Ushs 15.19 billion. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio and guaranteed by a comfort letter from BIHBV.

iii) BRAC International Finance BV (BIFBV) Debt program (Senior debt)

In July 2025, the Bank obtained a loan from Brac International debt program amounting to USD 5.3 million equivalent to UShs19 billion with a tenor of 4 years and a grace period of one year. Interest is paid on a quarterly basis while the first instalment for principal is to be paid on 15th September 2027. .The loan is unsecured at an interest rate of 7.95%.

iv) BRAC International Holdings BV (Subordinated debt)

In April 2020, an outstanding dividend payable to BRAC International Holdings B.V. (BIHBV) of USD 3.4 million was converted into an unsecured loan for one year at 5% p.a. Principal and interest were payable semi-annually. In 2021, the loan was converted from senior debt to subordinated debt.
Following an increase in the Bank's authorized share capital, BIHBV was allotted 559,618 shares amounting to USD 1,584,997 (Ushs 5,596 million), which were settled by offset against the subordinated debt. As at 31 December 2025, the outstanding subordinated balance was USD 169,292 (equivalent to Ushs 612.8 million). The facility matures in August 2026.

25. BORROWINGS AND MANAGED FUNDS (CONTINUED)

v) aBi Finance Limited

In August 2022, BRAC Uganda Bank Limited entered into a loan agreement with aBi Finance Limited for Ushs 20.0 billion. The principal is repayable over 4 years and attracts interest at a minimum of 11.60% p.a., with a six-month principal grace period. Principal and interest are payable quarterly. The loan is secured by a floating charge over the Bank's loan portfolio. Effective December 2025, the interest rate increased from 11.60% to 14.7%. The outstanding balance is Ushs 7.38 billion.

vi) aBi Finance Limited (Continued)

In October 2024, BRAC Uganda Bank Limited entered into a loan agreement with aBi Finance Limited for Ushs 20.0 billion. The facility has a 4-year repayment period and attracts interest at a minimum of 14.8% p.a., with a six-month principal grace period. Principal and interest are payable quarterly. The loan is secured by a floating charge over the Bank's loan portfolio. In December 2025, the interest rate increased from 14.8% to 16.8% due to market changes. Ushs 15.0 billion had been disbursed, leaving Ushs 5.0 billion undrawn headroom. As at 31 December 2025, the outstanding balance was Ushs 12.32 billion.

vii) Soluti Finance East Africa

In June 2021, BRAC Uganda Bank Limited obtained a Ushs 6.0 billion loan facility from Soluti Finance for 4 years, with a 6-month grace period. The facility comprised two components: i) Ushs 2.0 billion for agriculture loans at 12.25% per annum. As at 31 December, the outstanding balance was Ushs 222 million, and the facility matures in June 2026. ii) Ushs 4.0 billion for general business loans at 17.5% per annum, with the interest rate tagged to the 182-day Treasury bill rate. Principal and interest were payable quarterly, and this component matured in June 2025.
The facility was secured by a floating charge over the Bank's loan portfolio.

viii) Stichting Oxfam Novib

In June 2022, BRAC Uganda Bank Limited obtained a loan from Stichting Oxfam Novib of Ushs 7.9 billion (equivalent to USD 2,135,400) with a tenor of 3 years at a fixed interest rate of 16% per annum. Interest was payable quarterly, and the principal was repayable as a bullet payment at maturity. The loan was secured by a floating charge over the Bank's loan portfolio. The facility was fully serviced and matured in May 2025.

ix) Oiko Credit

In July 2022, BRAC Uganda Bank Limited obtained a loan facility from Oiko Credit of Ushs 30 billion for 3 years at a fixed interest rate of 15% per annum, after which the rate will be reviewed to the prevailing 2-year bond yield + 4.5%. Interest is payable quarterly. The first principal repayment falls due after 12 months, with subsequent repayments every six months in equal instalments. The facility was disbursed in two tranches: Ushs 20 billion in July 2022 and the second tranche in September 2023. The interest rate was revised from 15.4% to 14.47% in December 2025. As at the reporting date, the facility had an outstanding balance of Ushs 13.79 billion.

x) Kenya Commercial Bank (KCB)

In March 2022, BRAC Uganda Bank Limited obtained a loan facility from KCB of Ushs 10.5 billion for 4 years at 16% per annum, with the interest rate linked to the prime rate less 6%. Principal and interest are payable quarterly. The facility is secured by a floating charge over the Bank's loan portfolio. As at 31 December 2025, the outstanding balance was Ushs 861.61 million, and the facility matures in March 2026.

Value of security held
Loans from Bank of Africa, KCB, aBi Finance Limited, Soluti and Oiko Credit are secured against the Bank's loan portfolio. These lenders have no right to sell or re-pledge the collateral, and no specific lender has rights to specified percentages or individual loans within the loan portfolio. The Bank has not breached any covenants; accordingly, no reclassification of the loan portfolio has been made in the financial statements. The Carrying amount of the loan portfolio as at 31 December 2025 is Ushs 207 billion (Refer to Note 15).

Loans and advances from BIHBV and BIFBIV are unsecured.

25. BORROWINGS AND MANAGED FUNDS (CONTINUED)

(b) Analysis of movement in borrowings

2025	Kiva	Bank of Africa	BRAC International Finance BV (Senior Debt)	BRAC International Holdings BV (Subordinated Debt)	aBi Finance Limited	Soluti Finance East Africa	Stichting Oxfam Novib	Oiko Credit	Kenya Commercial Bank (KCB)	Citi Bank	EADB	UECCC	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
At 1 January	1,300,687	18,404,680	-	595,524	28,542,295	1,237,576	2,700,888	20,596,721	3,968,330	-	-	-	77,346,701
Receipts during the year	1,016,302	-	19,000,500	23,379	-	-	-	-	-	-	-	-	20,040,181
Interest expense	-	2,517,978	706,008	24,377	3,338,352	94,647	157,316	2,233,063	449,950	-	-	-	9,521,691
Payment of interest	-	(2,560,011)	(697,616)	-	(3,405,586)	(98,455)	(210,921)	(2,475,201)	(454,835)	-	-	-	(9,902,625)
Loan arrangement fees	-	12,369	-	-	-	5,000	11,077	40,000	13,123	-	-	-	81,569
Payment of principal during the year	(849,888)	(3,216,358)	-	(30,490)	(8,783,267)	(1,015,876)	(2,658,360)	(6,666,667)	(3,118,237)	-	-	-	(26,339,143)
At 31 December	**1,467,101**	**15,158,658**	**19,008,892**	**612,790**	**19,691,794**	**222,892**	**-**	**13,727,916**	**858,331**	**-**	**-**	**-**	**70,748,374**

2024	Kiva	Bank of Africa	BRAC International Finance BV (Senior Debt)	BRAC International Holdings BV (Subordinated Debt)	aBi Finance Limited	Soluti Finance East Africa	Stichting Oxfam Novib	Oiko Credit	Kenya Commercial Bank (KCB)	Citi Bank	EADB	UECCC	Total
	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
At 1 January	1,326,136	4,743,094	-	587,014	20,111,394	2,821,146	8,098,231	27,458,174	6,619,495	2,968,710	(49,659)	(11,468)	74,672,267
Receipts during the year	449,530	20,000,000	-	27,681	15,000,474	-	-	-	-	-	-	-	35,477,685
Interest expense	-	2,262,836	-	26,645	2,461,046	335,354	922,924	3,267,547	925,195	212,317	-	-	10,413,864
Payment of interest	-	(2,126,876)	-	-	(2,453,614)	(341,623)	(1,030,132)	(3,502,333)	(926,799)	(217,027)	-	-	(10,598,404)
Loan arrangement fees	-	(27,452)	-	-	9,301	10,000	26,584	40,000	13,126	-	49,659	11,468	132,686
Payment of principal during the year	(474,979)	(6,446,922)	-	(45,816)	(6,586,306)	(1,587,301)	(5,316,719)	(6,666,667)	(2,662,687)	(2,964,000)	-	-	(32,751,397)
At 31 December	**1,300,687**	**18,404,680**	**-**	**595,524**	**28,542,295**	**1,237,576**	**2,700,888**	**20,596,721**	**3,968,330**	**-**	**-**	**-**	**77,346,701**

26. OTHER LIABILITIES

		2025	2024
		Ushs '000	**Ushs '000**
Financial liabilities			
Accrual for expenses		3,545,027	2,988,874
CRB fees payable		326,628	109,717
Accrual for audit fees		157,449	142,121
Credit life insurance premium payable		249,382	228,757
Unclaimed bank credits		2,204,965	2,198,911
Swap with Absa Bank (Note 31)		67,413	-
Credit life insurance claim payable		338,667	414,150
Other liabilities*		554,994	407,439
	A	**7,444,525**	**6,489,969**
Non-financial liabilities			
Staff leave provision		67,381	503,079
Long service award provision		1,152,943	1,074,360
NSSF contributions payable		869,445	795,675
Excise duty		80,962	74,911
Tax withholding payable		346,915	975,349
Provident fund payable		237,301	269,222
Stamp duty accruals		-	120
PAYE payable		1,562,776	1,491,094
	B	**4,317,723**	**5,183,810**
Total	**A+B**	**11,762,248**	**11,673,779**

The fair value of the other liabilities approximates their carrying amounts.

* Other liabilities include mainly provision for litigation costs and commissions payable.

27. DONOR FUNDS

	Note	2025 Ushs '000	2024 Ushs '000
Donor funds received in advance	**27(a)**	4,176,231	4,225,663
Donor funds investment in fixed assets	**27(c)**	2,391,308	4,092,724
		6,567,539	**8,318,387**

Donor funds relate to grants received from various donors to support the Bank's operations. Grant income is recognized to the extent that the Bank has fulfilled the conditions of the grant. This income is transferred from the deferred grant received from donors and recognized as income in the statement of comprehensive income. For donor grants restricted to funding procurement of fixed assets, grant income is recognized as the amount equivalent to the depreciation expenses charged on the fixed asset. IAS 20 requires disclosure of nature and extent of grants recognized in the financial statements including the unfulfilled conditions and other contingencies attached to the grant.

(a) Donor funds received in advance		2025	2024
	Note	**Ushs '000**	**Ushs '000**
At 1 January		**4,225,663**	**1,934,700**
Donations received during the year	**27(b)**	6,128,858	8,222,569
Transferred to statement of comprehensive income	**27(d)**	(5,501,312)	(4,726,616)
Transferred from donor funds received in advance- to receivables		15,848	-
Transferred to statement of income and expenses/ utilisation		36,070	200,000
Transferred from donor funds received in advance- to payable		(49,952)	-
Grants receivable-Transferred to the Income statement		-	-
Transferred to donor funds investment in fixed assets	**27(c)**	(678,944)	(1,404,990)
At 31 December		**4,176,231**	**4,225,663**

27. DONOR FUNDS (CONTINUED)

(b) Donations received during the year

	2025 Ushs '000	2024 Ushs '000
Name of donor		
Master Card Foundation (MCF) -AIM	1,921,917	3,044,578
KIVA	-	22,856
Long Term Foundation	603,119	660,706
European Investment Bank	-	496,782
Gates Foundation	3,603,822	3,997,647
	6,128,858	**8,222,569** s

(c) Donor funds investment in fixed assets

	2025 Ushs '000	2024 Ushs '000
At 1 January	**4,092,724**	**3,248,474**
Transferred from donor funds received in advance	678,944	1,404,990
Transferred from donor funds for decommissioned assets	(1,738,247)	-
Transferred to statement of comprehensive income (Amortisation) fixed assets	(642,113)	(560,740)
At 31 December	**2,391,308**	**4,092,724**

(d) Grant utilization

	2025 Ushs '000	2024 Ushs '000
Transferred to statement of comprehensive income from donor funds - grant income	5,501,312	4,726,616
Total transferred to statement of comprehensive income	**5,501,312**	**4,726,616**
Transferred to comprehensive income-fixed assets	642,113	560,740
	6,143,425	**5,287,356**

(e) Grant income

	2025 Ushs '000	2024 Ushs '000
Grant income		
Transferred to comprehensive income-operating (note 27 (a))	5,501,312	4,726,616
Transferred to comprehensive income-fixed assets (note 27 (d))	642,113	560,740
	6,143,425	**5,287,356**

(f) Donations receivable

	2025 Ushs '000	2024 Ushs '000
Name of donor		
Grameen Foundation	-	36,488
European Investment Bank (EIB)	30,794	-
	30,794	**36,488**

28. SHARE CAPITAL

The authorized issued and paid ordinary shares remained 5,442,188 shares with a nominal value of Ushs 10,000. Each share is entitled to one vote. As at 31 December, the shareholding structure of the Bank was as below:

As at 1 January and 31 December 2024 and 2025

	Ushs '000	Ushs '000
BRAC International Holdings BV	26,666,180	26,666,180
Deutsche Investitions und Entwicklungsgellschaft mbH	9,251,900	9,251,900
ASN Microkerdietpool	9,251,900	9,251,900
Shore Cap 111, LP	9,251,900	9,251,900
Total	**54,421,880**	**54,421,880**

There is no single controlling party. Each shareholder is entitled to dividend from time to time as declared by the Bank.

RETAINED EARNINGS

	2025 Ushs '000	2024 Restated Ushs '000
At 1 January 2024	**3,724,988**	**(2,327,249)**
Total comprehensive income		
Profit for the year	6,574,800	*6,359,262
Other comprehensive income	-	-
Transactions with equity holders		
Proposed dividends	(1,314,960)	(657,960)
Total transactions with equity holders	**(1,314,960)**	**(657,960)**
Net transfer to regulatory reserve	**(260,840)**	**350,935**
At 31 December	**8,723,988**	*** 3,724,988**

*The comparative information is restated on the account of correction of a material error on non-accrual of management fees due to Bank of Uganda regulatory restrictions as disclosed under note 42.

DIVIDEND

Ushs 1,314 million was proposed as dividend by the directors during the year 2025 (2024: Ushs 657 million). The dividend proposed of Ushs 657 million in 2024 was ratified and paid in 2025.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits and investments held with other financial institutions that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value.

	2025 Ushs '000	2024 Ushs '000
Cash on hand and balances with Bank of Uganda (Note 13 (a))	2,439,617	2,466,889
Mobile banking receivables (Note 18)	1,523,340	731,735
Government securities (Note 13(b))	7,556,206	4,617,758
Deposits with other financial institutions (Note 14(a))	35,232,810	29,873,571
Total	**46,751,973**	**37,689,953**

30. CASH FLOWS FROM OPERATING ACTIVITIES

		2025	2024 *Restated
Operating activities	**Note**	**Ushs '000**	**Ushs '000**
Profit after tax		**6,574,800**	**6,359,262**
Adjustments for:			
Income tax charge	12(a)	2,236,654	2,788,912
Depreciation of property and equipment	19	2,522,504	2,765,055
Depreciation of Right of Use Assets	22(a)	2,782,429	2,545,812
Amortization of intangible assets	21	1,071,417	1,222,608
Interest income on loans and advances	5	(105,203,752)	(101,003,728)
Other interest income	6	(6,277,604)	(3,445,276)
Write off of capital works in progress	20	39,196	165,483
Loss on disposal of property and equipment		356,330	18,109
Movement in ECL for financial assets	16	4,645,270	5,114,836
Exchange loss on cash and cash equivalents		235,414	199,520
Interest expense – leases	7(b)	1,398,483	1,349,427
Gain on termination of the lease		(418,520)	(114,287)
Loss on software write-off		1,919,760	-
Interest expense – borrowings	25(b)	9,521,691	10,413,864
Amortisation of loan arrangement fees	25(b)	81,569	132,686
Donor funds utilisation	27(d)	(6,143,425)	(5,287,356)
Other non cash changes in donor funds	27(a)	1,966	200,000
Bad debts write off		453,149	88,955
Decommissioning of donor asset	27(c)	(1,738,247)	-
		(85,940,917)	**(76,486,118)**
Changes in working capital			
Increase in loans and advances		(11,417,663)	(17,262,178)
(Increase)/decrease in other assets		(91,515)	224,751
Decrease in related party receivables		4,572,983	265,087
Increase in placements with other Banking Institutions		(14,108,270)	(8,115,125)
(Decrease)/increase in related party payables		(5,850,087)	2,397,779
Increase in other liabilities		88,469	2,845,862
Increase/(decrease) in deposits from customers		32,084,869	(8,701,217)
Increase in loan security fund		-	22,260,205
Cash inflow from operations		**(80,662,131)**	**(82,570,954)**
Income taxes paid	12(c)	-	-
Interest received on loans and advances		101,509,934	100,654,517
Other interest income received	6	6,277,604	3,445,276
Interest paid on borrowings	25(b)	(9,902,625)	(10,598,404)
Interest paid on leases	22(e)	(1,371,067)	(1,646,882)
Net cash from operating activities		**15,851,714**	**9,283,553**

The comparative information has been restated on account of correction of an error. See note 42

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2025	2024
	Ushs ‘000	**Ushs ‘000**
Currency Swap – Asset	(19,029,651)	-
Currency Swap – Liability	19,097,064	-
Net Liability (Note 26)	**67,413**	**-**

BRAC entered a cross-currency swap with Absa Bank Uganda Limited (Absa), which allows the two parties to exchange interest payments and notional denominated in Uganda shillings (Ushs) and United States of America Dollars (USD).

In the cross-currency swap, Absa agreed to pay BRAC, 4.00% fixed rate on an amortizing USD 5,300,000 notional for 4.0 years and BRAC agreed to pay Absa a fixed rate of 13.25% based on Ushs fixed equivalent of Ushs 19 billion for 4.0 years.

The cash flows are physically settled; hence the physical currency is delivered, at every settlement date.

31. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The currency SWAP is not designated as a hedge instrument and as such hedge accounting is not applied. Instead it is recognised and measured at fair value through profit or loss (FVTPL), level 2, with inputs being the projected cashflows, yield curves and exchange rates. For the year ended 31 December 2025, the fair value charge to profit and loss is Ushs 67,413 presented under Net interest income.

Under the agreement, the parties agreed to settle the assets and liabilities arising from the transaction on a net basis, and it is the Bank's interest and intent to settle the assets on a net basis. As such, the currency SWAP has been presented on a net basis in the statement of financial position of the Bank under other liabilities.

32. CAPITAL RISK MANAGEMENT

The Bank manages its capital to ensure that it will be able to continue as a going concern by complying with the FIA while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Bank consists of equity attributable to the equity holders of the Company, comprising share capital, accumulated (losses) or profits and other reserves as disclosed in the statement of changes in equity. Management regularly reviews the capital structure and adjusts it in light of changes in the economic conditions.

Management has defined debt as amounts owing to related and third parties. This includes both long- and short-term loans as well as trade payables where credit has been extended. Equity is defined as the capital invested by shareholders as well as any accumulated reserves and equity loans where applicable. The Bank monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

The Bank includes within net debt; non-interest-bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations. The Bank`s net debt to equity ratio is analyzed as follows:

	2025	2024
	Ushs '000	Ushs '000
Other liabilities (Note 26)	11,762,248	*11,673,779
Due to related parties (Note 17(b))	1,892,315	*7,365,293
Lease liability (Note 22)	10,913,973	9,242,091
Borrowings (Note 25)	70,748,374	77,346,700
Less: Cash and cash equivalents (Note 29)	(46,751,973)	(37,689,953)
Net debt	50,645,587	68,902,702
Equity	65,187,407	*59,270,566
Capital and net debt	**113,752,344**	**127,208,476**
Gearing ratio	42.69%	53.41%

The Bank's objective when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

i) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide
ii) Returns for shareholders and benefits for other stakeholders; and
iii) To maintain a strong capital base to support the development of its business.

The Financial Institutions Act requires each Tier 2 Institution to:

- To hold minimum capital level of Ushs 20,000,000,000 (Twenty billion) effective 31 December 2022 and Ushs 25,000,000,000 (Twenty-five billion only) effective 30 June 2024.
- Maintain a ratio of total regulatory capital to the risk weighted assets of not less than 14.5% and;
- Maintain core capital of not less than 12.5% of risk weighted assets.

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital (Core capital) consists of shareholders' equity comprising paid up capital and irredeemable, non-cumulative preference shares, share premium, prior years retained profits, net after tax profits current year to date and general reserves less goodwill and other intangible assets, current years losses, investment in unconsolidated financial subsidiaries, deficiencies in provisions for losses, prohibited loans to insiders and other deductions determined by Bank of Uganda.
- Tier 2 capital (Supplementary capital) includes the Bank's unencumbered general provisions for credit losses, subordinated term debt and fair value adjustment reserve, revaluation reserves on fixed assets and hybrid capital instruments. Tier 2 capital is limited to 100% of core capital.

The FIA requires the Bank to monitor the adequacy of its capital using ratios. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The risk-based approach applies to both on and off-balance sheet items.

32. CAPITAL RISK MANAGEMENT (CONTINUED)

The focus of this approach is credit risk, interest rate risk, market risk, operational risk, concentration risk and underlying collateral risk. The assets are weighted according to broad categories, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, and 100%) are applied.

The table below summarizes the composition of the regulatory capital of the Bank:

		2025	2024
CORE CAPITAL (Tier 1)	**Note**	**Ushs '000**	**Ushs '000**
Paid up share capital	28	54,421,880	54,421,880
Retained Earnings	28	8,723,988	3,724,988
Less: Deductions determined by the FIA			
Capital work in progress	20	(1,222,905)	(1,101,295)
Intangible assets	21	(4,958,556)	(7,859,392)
Deferred income tax asset	12(b)	(2,420,236)	(4,656,891)
Loans to Insiders	17(i)	(231,236)	-
Unrealized foreign exchange gains	9	(750,325)	(523,688)
Total Core Capital		**53,562,610**	**44,005,602**
SUPPLEMENTARY CAPITAL (Tier 2)			
Unencumbered general provisions for losses	35	2,110,377	2,004,326
Subordinated debt	25	612,790	595,524
Total Supplementary Capital		**2,723,167**	**2,599,850**
TOTAL CAPITAL (Tier 1+Tier 2)		**56,285,777**	**46,605,452**

The table below summarizes the risk weighted assets of the Bank:

		Financial position nominal amount		**Risk weighting**	**Risk weighted assets**	
		2025 Ushs'000	**2024 Ushs'000**		**2025 Ushs'000**	**2024 Ushs'000**
Notes and coins	13	2,439,617	2,466,889	0%	-	-
Balances with Bank of Uganda	13	-	-	0%	-	-
Balances with banks in Uganda before ECL	14(a)	35,232,810	29,873,573	20%	7,046,562	5,974,715
Balances with other institutions in Uganda before ECL	14(b)	40,210,296	26,102,026	20%	8,042,059	5,220,405
Investments in government securities before ECL	13(b)	7,556,206	4,617,758	0%	-	-
Loans net of provisions		211,037,691	200,330,624	100%	211,037,691	200,330,624
Premises and other fixed assets	22(a)&19	15,498,687	13,466,000	100%	15,498,687	13,466,000
Other assets		4,828,369	*8,750,165	100%	4,828,369	8,750,165
Total risk weighted assets		**316,803,676**	**285,607,035**		**246,453,368**	**233,741,909**
Market Risk Charge						
Weighted items for Market Risk		674,623	1,651,459		674,623	1,651,459
Total risk weighted assets + Market risk		**317,478,299**	**287,258,494**		**247,127,991**	**235,393,368**

The table below summarizes the risk weighted assets of the Bank:

Capital			**FIA**	**Ratio**	
	2025 Ushs'000	**2024 Ushs'000**	**Regulatory ratios**	**2025**	**2024**
Tier 1 Capital (Min ratio -12.5%)	53,562,610	44,005,602	12.5%	21.67%	18.69%
Tier 1 and Tier 2 Capital (Min ratio –14.5%)	56,285,777	46,605,452	14.5%	22.78%	19.80%

** Other assets as per the capital computation is made up of other assets, related party receivable, income tax receivable and work in progress excluding intangibles.

32. CAPITAL RISK MANAGEMENT (CONTINUED)

The loans and advances figure used in the computation of the risk weighted assets is based on the FIA provisioning requirements and is derived as follows:

	2025 Ushs '000	2024 Ushs '000
Gross loans and advances	214,013,269	203,565,020
Specific provisions for loans and advances	(2,975,578)	(3,234,396)
Net loans and advances	**211,037,691**	**200,330,624**

The figures for deposits and balances due from Banks used in the computation of risk weighted assets excludes impairment allowances as reconciled as below:

As per Capital ratio Computations	2025 Ushs '000	2024 Ushs '000
Balance with Banks in Uganda	35,232,810	29,873,571
Balance with other Institutions in Uganda	40,210,296	26,102,026
Total per Capital Computation	**75,443,106**	**55,975,597**
Less: Impairment Allowances (Note 14(a & b))	**(698,629)**	(378,227)
Balance per statement of financial position	**74,744,477**	**55,597,370**

Capital Buffers

The Financial Institutions (capital Buffers and leverage Ratio) Regulations, 2020 were gazetted and took effect on 31st December 2020. The key developments arising in the Regulations are the introduction of; a Capital Conservation Buffer (CCB) of 2.5 % of risk weighted assets over and above the core capital ratio and total capital ratio, a systematic Risk Buffer for domestic systematically important banks (DSIBs) ranging from 0% to 3.5% of weighted assets over and above the CCB, a countercyclical Capital (Ccy) Buffer of 2.5% of risk weighted assets and a minimum Leverage Ratio of 6% of the total balance sheet and off-balance sheet assets.

All commercial Banks and credit institutions are expected to comply with the new Capital Conservation Buffer and Leverage Ratio, while domestic systematically important banks (DSIBs) should comply with the systematic risk buffer prescribed by BOU in accordance with the institution's systematic ranking.

Leverage ratio	2025 Ushs '000	2024 Ushs '000
Core capital (Note 32)-A	53,562,610	44,005,602
Total assets - B	321,253,026	295,313,118
Total assets	**321,253,026**	**295,313,118**
Leverage ratio -C=A/B	16.67%	14.90%
Prudential requirement	**6.0%**	**6.0%**

Internal Capital Adequacy Assessment Plan

The Bank has established an Internal Capital Adequacy Assessment Process (ICAAP) in line with the requirements of the Financial Institutions Act, 2004, relevant Bank of Uganda Prudential Guidelines, and sound risk management practices. ICAAP forms an integral part of the Bank's risk management and capital planning framework and is designed to ensure that the Bank maintains adequate capital to support its current and future business activities under both normal and stressed conditions

Internal Liquidity Adequacy Assessment Plan (ILAAP)
The Bank has established an Internal Liquidity Adequacy Assessment Process (ILAAP) in line with the requirements of the Financial Institutions Act, 2004, applicable Bank of Uganda prudential guidelines, and sound liquidity risk management practices. The ILAAP framework is designed to ensure that the Bank maintains sufficient liquidity to meet its obligations as they fall due under both normal and stressed conditions. During the reporting period, the Bank prepared and submitted its initial ILAAP report for the year ended 31 December 2024 to the Bank of Uganda. The Bank continues to engage with the regulator and will incorporate any feedback or guidance received into subsequent enhancements of the ILAAP framework.

33. FINANCIAL RISK MANAGEMENT

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Bank's financial assets and liabilities are classified and subsequently measured at either amortized cost or fair value, with the carrying amounts at the reporting date presented in the table below.

	2025	2024
Financial assets measured at amortised cost	**Ushs '000**	**Ushs '000**
Cash and Bank (Note 13 (a))	2,439,617	2,466,889
Government securities (Note 13 (b))	7,525,003	4,586,555
Deposits and balances due from banks (Note 14(a & b))	74,744,477	55,597,370
Loans and advances to customers (Note 15)	207,615,176	196,828,562
Related party receivables (Note 17 (a))	109,694	*4,682,677
Other assets*	1,560,442	801,973
	293,994,409	**264,964,026**
Financial liabilities measured at amortised cost		
Deposits from customers (Note 24)	154,181,169	122,096,300
Related party payables (Note 17(b))	1,892,315	*7,365,293
Borrowings (Note 25)	70,748,374	77,346,701
Lease liabilities (Note 22(e))	10,913,973	9,242,090
	237,735,831	**216,050,384**
Financial liabilities measured at fair value		
Other liabilities**	7,444,525	6,489,969
	7,444,525	**6,489,969**

*Other assets include: wallet to bank transactions, employee receivables (work related advances).
*Other liabilities include: payables to third parties, accrued utilities, credit insurance premiums payable, CRB inquiry charges payable, & commission payable and the net currency swap.
*The 2024 related party receivable and payable have been restated, refer to Note 42 for details.

a) Introduction and overview

The Bank has exposure to the following risk from financial instruments:
i) Strategic risk
ii) Compliance risk
iii) Capital risk
iv) Credit risk
v) Interest rate risk
vi) Liquidity risk
vii) Operations risk

This note presents information about the Bank's exposure to each of the above risks and the Bank's objectives, policies and processes for measuring and managing risk.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

a). Introduction and overview (Continued)

Risk management framework

Risk management is conducted under the guidance of a Risk Management Framework and Policy approved by the Board of Directors. The Board of Directors has overall accountability for the establishment and oversight of the Company's risk management framework. The Board of Directors also approves BRAC Uganda Bank Limited's (BUBL) risk tolerance.
The Board of BUBL has established six board committees to ensure adequate oversight of the bank's risk management. The Board Committees are reflected on Page 3 & 4, section I- Corporate governance.

The ultimate responsibility for managing risks rests with the Board. Senior Management, on the other hand, is responsible for the effective implementation of the risk management program developed in accordance with the Board's criteria and standards.

Management-level accountability is based on the Three Lines of Defense model, consisting of the Business Line as the First Line of Defense (executives, department heads, and all employees), the Risk and Compliance Departments as the Second Line of Defense, and Internal Audit as the Third Line of Defense.

The senior management exercises risk management and internal controls through six management committees; Risk, Credit, Human Resource, Operations Oversight and Information Technology and Security Customer Experience and Asset and Liabilities. The committees help to support the identification, assessment, measurement and reporting of inherent risk at BUBL through; Risk Awareness Program, Risk Control Self-Assessment (RCSA), Key Risk Indicators, Operational Risk Events monitoring, Scenario Analysis, Stress testing, and Process Flows. The Management Committees report to the Board committees on matters deliberated at management level.

There is synergy and linkage between risk management and internal controls, but precisely BUBL's internal control consists of five interrelated components. These include; Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring.

The overall effectiveness of the risk management framework is regularly evaluated by the internal audit, and the bank's books of accounts are audited by appointed external audits for assurance on the risk management framework and accuracy of the accounts respectively. Both internal audit and external audit report to the Board to provide an independent view on the state of the bank's affairs.

Abridged view of BUBL's Risk Management Framework

To Whom	From Whom	What to Report	When
Risk Departments	Departments, Units and branches	Departmental / Unit / Branch Risk Register	Quarterly
	Departments, Units and branches	Incident Reports	As they occur
Departments, Units and branches	Risk department	Risk Monitoring and Review reports	As they occur
CEO/COO	Risk department	Incident report	As they occur
		Risk monitoring and review reports	As per plan
Management Risk Committee (MRC)	Risk department	Consolidated enterprise-wide risk profile report	Monthly
		Stress test or business continuity test reports	Quarterly
Board	MRC	Bank's Risk profile	Quarterly

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Strategic risk management

Strategic risk refers to the current or prospective risk of a decline in profits or capital caused by changes in the business environment or erroneous decisions, the inadequate implementation of decisions or poor responsiveness to competitive developments.

Management of strategic risks

As a corporate entity, the board has overall accountability for the strategic decisions which are implemented by the senior management team. The bank has established a board of directors and board committees as per requirements in the Financial Institutions Act (FIA)2004 (as amended). The board established a 5-year strategic plan and budget which informs the activities run by the bank. The strategic plan and budget are reviewed annually to reflect changes in the market as informed by the Strengths, Weaknesses, Opportunities.

Threats (SWOT) analysis, stress testing for potential threats and changes in regulatory environment.

Senior management undertakes its mandate for the effective implementation of the strategic plan developed in accordance with the Board's criteria and standards through employing stress testing techniques in the strategic planning and management process to assess any potential threats to the implementation of its strategies. The bank has a management information system that enables management to gather necessary data for monitoring its strategic risk exposure. In addition to the management information systems, checks and balances through regular test of the strategic risk control systems by both independent units, internal and external audit, are undertaken to ensure that the institution has corporate governance and appropriate risk controlling system.

c) Compliance risk management

Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a financial institution may suffer as a result of its failure to comply with laws, regulations, prudential guidelines, supervisory recommendations and directives, rules, related self-regulatory standards and codes of conduct applicable to its activities.

Management of compliance risk

BRAC Uganda Bank Limited (BUBL) promotes a corporate culture that emphasizes standards of honesty and integrity where the board and senior management lead by example. Otherwise, failure to consider the impact of its actions on its shareholders, customers, employees, and the markets may result in significant reputational risk and regulatory penalties. BUBL established a compliance risk management framework approved by the board and whose execution is championed by the Head of Compliance who also doubles as the Anti-Money Laundering Officer. The compliance risk management framework focus on; assignment of roles for compliance risk management, the compliance risk management process, policies and procedures and an independent review.

BUBL identifies the compliance risk by considering legal obligations placed on it from the following sources; legislation, prudential norms, regulations, guidelines and circulars issued by regulators from time to time. Compliance risk exposure is primarily managed through having a compliance department with appropriate reporting lines, segregation of duties, systems for periodic testing of the control framework and reporting of compliance testing exceptions. Compliance risk management is further enhanced through the creation of awareness among the staff dealing with processes, which are likely to be the sources of non-compliance.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers. The credit policy of BRAC Uganda Bank Limited requires all credit exposures to be measured, monitored and managed proactively. Exposure to credit risk is monitored on an ongoing basis by the commercial ventures' respective management teams. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

BRAC Uganda Bank Limited does not have any significant exposure to any individual customer or counterparty

The greatest portion of the Bank's loan book is unsecured group loans and as such, exposure to credit risk and the management of this risk is a key consideration for the Board and management. To mitigate this risk, unsecured group loans are monitored and regulated through strict group supervision by the customer relationship officers and enforcement of group discipline.

Macroeconomic Forward-looking information for measuring of ECL

The annual inflation dipped to 3.1% in December 2025 from 3.3% in December 2024. This drop in inflation is largely attributed to favorable costs of food and energy related items. These trends collectively suggest a cautious adjustment in monetary policy to manage inflationary pressures, reflecting a balance between supporting price stability and addressing rising costs in key sectors such as transportation and food. Additionally, there remains the continuing risk of higher commodity prices and disruption to trade flows associated with developments in the Middle East and other significant geopolitical uncertainties, which could lead to weaker global economic activity and stronger inflationary pressures hence there was a need to revisit the forecasts in the medium term.

The Bank obtained macroeconomic factors from Bank of Uganda and Uganda Bureau of statistics including terms of trade, consumer price index, core Inflation, lending rate, forex rate, 91-T-Bill, credit domestic product, trade balance, private demand deposits, private time and saving deposits, Central Bank rate (CBR) and time deposit rate. It then performed a multivariate regression analysis between the entity's non-performing loans (NPL) as a proxy. The variables selected as the most significant factors with low p- values were then considered in the final forward-looking information overlay.

From the analysis the two factors considered to have the strongest relationship with Banks's NPL were CBR for micro loans and terms of trade for non- micro loans. The Bank also introduced a dummy variable to represent the pandemic in its forward-looking information. The pandemic is a dummy variable with a binary input where 1 indicates the presence of a pandemic and 0 indicates otherwise. In regression analysis, a dummy variable is one that takes only the value 0 or 1 to indicate the absence or presence of some categorical effect that maybe expected to shift the outcome. This was also regressed against the Bank's NPL ratio and the effect was represented by an increase in the default rates.

The Bank also relied on generally accepted statistical and mathematical approaches to perform economic scenario analysis with the results consequently used to derive stressed probability of defaults for three different scenarios i.e., Base, Upside and Downside

Weighting applied to the base, upside and downside
The Bank changed the weightings it applied to its base, upside and downward scenarios to 60%, 10% and 30% respectively from 50%, 20% and 30% respectively.

Sensitivity of ECL to future economic conditions

The table below shows the loss allowance on loans and advances to Micro and Non-Micro customers assuming each forward-looking scenario (e.g. base, upside and downside) were weighted 100 percent instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the financial statements. The amounts are inclusive of post-model adjustments, as appropriate to each scenario.

The ECL are sensitive to judgments and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs sensitivity analysis on the ECL recognized on material classes of its assets.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

Sensitivity of ECL to future economic conditions (continued)

ECL Sensitivity Analysis	Upside	Base	Downside	Probability Weighted
As at 31 December 2025	**Ushs "000"**	**Ushs "000"**	**Ushs "000"**	**Ushs "000"**
Gross Exposure				
Micro	12,981,560	77,889,361	38,944,681	129,815,602
Non-micro	8,419,767	50,518,600	25,259,300	84,197,667
	21,401,327	**128,407,961**	**64,203,981**	**214,013,269**
Loss Allowance				
Micro	206,330	1,237,981	618,990	2,063,301
Non-micro	229,607	1,377,644	688,822	2,296,073
	435,937	**2,615,625**	**1,307,812**	**4,359,374**
Proportion of assets in stage 2				
Micro	**0.13%**	**0.78%**	**0.39%**	**1.30%**
Non-Micro	**0.21%**	**1.25%**	**0.62%**	**2.08%**

ECL Sensitivity Analysis	Upside	Base	Downside	Probability Weighted
As at 31 December 2024	**Ushs "000"**	**Ushs "000"**	**Ushs "000"**	**Ushs "000"**
Gross Exposure				
Micro	12,855,356	77,132,138	38,566,069	128,553,563
Non-micro	7,511,348	45,068,087	22,534,044	75,113,479
	20,366,704	**122,200,225**	**61,100,113**	**203,667,042**
Loss Allowance				
Micro	226,866	1,361,194	680,597	2,268,657
Non-micro	250,433	1,502,597	751,299	2,504,329
	477,299	**2,863,791**	**1,431,896**	**4,772,986**
Proportion of assets in stage 2				
Micro	**0.12%**	**0.72%**	**0.36%**	**1.20%**
Non-Micro	**0.21%**	**1.25%**	**0.63%**	**2.09%**

The comparative sensitivity of ECL to the future economic conditions disclosures have been restated to include the required ECL sensitivity analysis;

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

Use of estimates and judgements

There have been no material revisions to the nature and estimates of amounts reported in prior periods.

Use of assumptions

Economic growth is projected to accelerate to between 6.5 and 7 percent in 2026, despite the projected impact of the 2026 general elections. It's projected that there may be a minor impact on the Bank's operations due to these factors. However, Management will closely monitor and assess its impact on the business. The Bank has put in place a business continuity plan to ensure that the Bank will be able to operate and service clients in various scenarios.

There are no conditions that would warrant impairment of non-financial assets. There are no significant financial assets measured at fair values that would materially impact the performance of the Bank.

Customer credit risk is not expected to significantly increase further; management will continue to closely monitor customer segments to ensure that exposures are mitigated

It is reasonably possible, based on existing knowledge, that outcomes within the next financial period are different from the judgements and assumptions used, which could require a material adjustment to the carrying amounts of the assets or liabilities reported in these financial statements. The directors and management will continue to monitor the impact of elections and measures taken by the Government of Uganda and adjust the Bank's business strategies and plans accordingly.

Management of credit risk

As set out above, the main activity of the Bank is the provision of unsecured loans to members. The Board of Directors has delegated responsibility for the oversight of credit risk to the Chief Executive Officer and the risk department. However, this must be viewed in light of the overall framework of the exclusive use of "company guaranteed" loan repayment mechanism.

Loan application process

a) Group loans

The group loans are appraised by the Customer Relationship Officer (CRO) in the field, and these Loan application forms are brought before the Satellite Manager (SM) for appraisals. The SM will visit the house of the potential borrower/ applicant before recommending the loan to the Area Manager (AM) for approval. A survey form containing 10 important points is filled.

The SM confirms that the CRO was properly and appropriately trained and have assessed the feasibility of all member loan applications.

The loan appraisal work is done by the CRO and reviewed by the SM who confirms that the applicant has provided all necessary information and that is complete, the loan application has been endorsed, verifies that the net income from the business is sufficient to allow for loan repayment, all guarantors have fully signed the loan application and also confirms that the borrower/applicant does not have past due repayment obligations or arrears.

After completion of the verification and other formal processes, the SM will approve the loan or recommend it to the AM and subsequent final approvals depending on the approval matrix.

Most loans are repayable in equal weekly or bi-weekly installments that are collected by the credit officers during the Bank meetings through direct cash payments. During the year 2025, the Bank introduced monthly repayments starting with two satellites. It further implemented the deferral of collections on public holidays a practice that lasted only in Q3 2026 and later enhanced systems to enforce normal collections during public holidays through the available digital platforms effective 1st October 2025 The cash collections by the credit officers are subsequently paid directly to the branch teller daily.

The main criteria considered by the Bank are the loan applicant's ability and willingness to meet his/her financial commitments and to maintain sufficient funds to fund household needs. The Bank applies these criteria for all customers, and this is complimentary to regulatory requirements. During 2026, the Bank commenced the automation of a credit scoring solution that semi-automates this process to increase efficiency and improve credit decisions.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

b) Small Enterprise Product (Individual Loans)

Small Enterprise loans are identified by the CRO who visits the customer, assesses the business working capital and profitability. A second visit is done by the AM if the loan is below Ushs 5 million and above Ushs 5 million, the Branch Manager (BM) will visit the client. A guarantor and a family nominee will be identified by the borrower and shall sign the guarantor and nominee form to ensure that they will be liable to repay the loan in case the customer defaults.

There are different forms of security which include land titles, land agreements and other forms of collateral. The security is verified at the local council level to confirm authenticity.
The loan appraisal is completed by the CRO, AM and the BM to ensure that the applicant has provided all necessary information and that its complete, the loan application has been endorsed, verified that the net income from the business is sufficient to allow for loan repayment, the guarantor and nominee have fully signed the loan application, the security is attached, then a loan shall be approved by the AM if its below Ushs 5 million and above Ushs 5 million the BM shall approve. The loans installments are repayable monthly.

Monitoring of collections

a) Group guaranteed loan

In the event that a customer does not have sufficient funds for their weekly, bi-weekly or monthly installment, and/or the customer has changed residence, the credit officer together with the satellite manager follow up with the local council chairperson about the whereabouts/ new place of residence. In the event of Continued arrears, the collection actions are escalated following documented delinquency management guidelines

If a customer dies, and a valid insurance claim exists, the outstanding loan balance is paid by the insurance Bank under the credit life insurance policy.

b) Small Enterprise Product (Individual Loans)

The Loans are repayable monthly. Compliance, Risk and Internal Audit independently monitor the loan to ensure quality.

Impaired loans and advances

Impaired loans and advances are those that the Bank determines are probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s).

The Bank measures the loss allowance on loans and advances at an amount equal to the 12-month or lifetime expected credit losses depending on whether or not the credit risk has increased significantly since initial recognition.

The detailed disclosures relating to credit risk have been included in note 15 (loans and advances).

The Bank's maximum exposure to credit risk is represented by the following balances:

		2025 Ushs '000	2024 Ushs '000
Deposits with other banks	14(a)	34,675,500	29,671,715
Government securities	13 (b)	7,525,003	4,586,555
Placements with other banking Institutions	14(b)	40,068,977	25,925,655
Loans and advances to customers	15	207,615,176	196,828,562
Related party receivables	17 (a)	109,694	*4,682,677
Other assets	18	1,560,442	801,973
		291,554,792	**262,497,137**

The above table represents the credit risk exposure to the Bank at 31 December 2025 and 31 December 2024 without considering any collateral held. The exposures are based on carrying amounts as reported in the statement of financial position.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

ECL sensitivity analysis

Credit quality analysis

The following table sets out information about the overdue status of loans and advances to customers in stages 1, 2 and 3 for Micro, Non-micro loans and other financial assets.

Description	IFRS 9 12 Month PD ranges	Stage 1	Stage 2	Stage 3	2025 Total
Micro		**Ushs'000**	**Ushs'000**	**Ushs'000**	**Ushs'000**
Grades(Due days 0-7):Normal	0 – 0.08%	123,997,044	-	-	123,997,044
Grades: (Due days 8-29):Watch	0.08 - 1.44%	1,324,022	892,514	-	2,216,536
Grade: (Due days 30-59):Sub Standard	1.44%	7,191	799,196	-	806,387
Grades (Due days 60-89): Doubtful	100%	3,521	-	555,532	559,053
Grades: (Due days <=90): Loss	100%	54,334	-	2,182,247	2,236,581
Gross carrying amount		**125,386,112**	**1,691,710**	**2,737,779**	**129,815,601**
Loss allowance		(86,312)	(18,304)	(1,958,685)	(2,063,301)
Carrying amount		**125,299,800**	**1,673,406**	**779,094**	**127,752,300**
Non-micro					
Grades(Due days 0-29):Normal	0.067%	79,419,497	-	-	79,419,497
Grades: (Due days 30-89:Watch	0.767%	16,308	1,751,077	-	1,767,385
Grade: (Due days 90-179):Sub Standard	100%	13,509	-	1,107,632	1,121,141
Grades (Due days 180-364): Doubtful	100%	21,593	-	1,332,803	1,354,396
Grades: (Due days <=365): Loss	100%	10,573	-	524,676	535,249
Gross carrying amount		**79,481,480**	**1,751,077**	**2,965,111**	**84,197,668**
Loss allowance		(45,987)	(10,530)	(2,239,556)	(2,296,073)
Carrying amount		**79,435,493**	**1,740,547**	**725,555**	**81,901,595**
Other financial assets					
Cash and balances with Bank of Uganda (Note 29)	0%	2,439,617	-	-	2,439,617
Placements and deposits with other banks (Note 14)	0.08 – 3.62%	74,744,477	-	-	74,744,477
Government securities (Note 13 (b))	3.62%	7,525,003	-	-	7,525,003
Other assets (Note 18)	0%	4,113,441	-	-	4,113,441
Gross carrying amount		**88,822,538**	**-**	**-**	**88,822,538**
Loss allowance		(729,832)	-	-	(729,832)
Carrying amount		**88,092,706**	**-**	**-**	**88,092,706**

Description	IFRS 9 12 Month PD ranges	Stage 1	Stage 2	Stage 3	2024 Total
Micro		**Ushs'000**	**Ushs'000**	**Ushs'000**	
Grades(Due days 0-7):Normal	0.08%	122,772,545	-	-	122,772,545
Grades: (Due days 8-29):Watch	0.08 - 1.44%	1,088,781	814,640	-	1,903,421
Grade: (Due days 30-59):Sub Standard	1.44%	18,393	726,953	-	745,346
Grades (Due days 60-89): Doubtful	100%	13,145	-	523,151	536,296
Grades: (Due days <=90): Loss	100%	57,227	-	2,417,175	2,474,402
Gross carrying amount		**123,950,091**	**1,541,593**	**2,940,326**	**128,432,010**
Loss allowance		(90,225)	(20,343)	(2,158,089)	(2,268,657)
Carrying amount		**123,859,866**	**1,521,250**	**782,237**	**126,163,353**
Non-micro					
Grades(Due days 0-29):Normal	0.05%	69,857,879	-	-	69,857,879
Grades: (Due days 30-89:Watch	0.62%	18,839	1,566,299	-	1,585,138
Grade: (Due days 90-179):Sub Standard	100%	11,460	-	1,198,610	1,210,070
Grades (Due days 180-364): Doubtful	100%	14,530	-	1,453,405	1,467,935
Grades: (Due days <=365): Loss	100%	6,037	-	500,569	506,606
Gross carrying amount		**69,908,745**	**1,566,299**	**3,152,584**	**74,627,628**
Loss allowance		(31,966)	(7,659)	(2,464,704)	(2,504,329)
Carrying amount		**69,876,779**	**1,558,640**	**687,880**	**72,123,299**
Other financial assets					
Cash and balances with Bank of Uganda (Note 29)	0%	37,689,953	-	-	37,689,953
Placements and deposits with other banks (Note 14)	0.08 – 3.62%	55,597,370	-	-	55,597,370
Government securities (Note 13 (b))	3.62%	4,586,555	-	-	4,586,555
Other assets (Note 18)	0%	3,306,361	-	-	3,306,361
Gross carrying amount		**101,180,239**	**-**	**-**	**101,180,239**
Loss allowance		(409,430)	-	-	(409,430)
Carrying amount		**100,770,809**	**-**	**-**	**100,770,809**

The comparative information has been restated to include the credit quality analysis of the loans and advances to customers and the other financial assets.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

ECL sensitivity analysis

Credit quality analysis

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

Explanation of the terms ‘Stage 1’, ‘Stage 2’ and ‘Stage 3’ is included under note 15 of the financial statements.

	Stage 1	Stage 2	Stage 3	2025 Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Loans and advances at amortized cost	202,709,956	3,462,437	5,802,157	**211,974,550**
Expected credit loss allowance	(132,300)	(28,833)	(4,198,241)	(4,359,374)
Carrying amount	**202,577,656**	**3,433,604**	**1,603,916**	**207,615,176**

	Stage 1	Stage 2	Stage 3	2024 Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000
Loans and advances at amortized cost	192,005,621	3,400,680	6,195,247	201,601,548
Expected credit loss allowance	(122,191)	(28,002)	(4,622,793)	(4,772,986)
Carrying amount	**191,883,430**	**3,372,678**	**1,572,454**	**196,828,562**

Collateral held and other credit enhancements

The Bank holds collateral against certain of its credit exposures. The following table sets out the principal types of collateral held against the different types of financial instruments.

	Percentage of exposure that is subject to collateral requirement		Principal type of collateral held
	2025	2024	
Group loans	10%	10%	Cash(10%)
Nongroup loans	100%	100%	Cash (10%)
Staff loans	100%	100%	Cash (10%)

Financial assets 2025	Total exposure to credit risk Ushs’000	Cash Securities Ushs’000	Property Ushs’000	Others Ushs’000	Total Collateral Ushs’000	Net exposure Ushs’000	Associated ECLs Ushs’000
Cash and balances with Bank of Uganda (Note 29)	46,751,973	-	-	-	-	46,751,973	-
Placements and deposits with other banks (Note 14)	74,744,477	-	-	-	-	74,744,477	698,629
Government securities (Note 13 (b))	7,525,003	-	-	-	-	7,525,003	31,203
Other assets (Note 18)	4,113,441	-	-	-	-	4,113,441	-
Loans and advances to customers							
Microfinance Group loans (Note 15)	126,963,742	21,587,400	-	-	21,587,400	105,376,342	2,045,808
Small Enterprises Program (Note 15)	81,505,441	12,158,573	-	-	12,158,573	69,346,868	2,237,025
Staff loan (Note 15)	2,520,934	-	-	-	-	2,520,934	58,935
Salary Loan (Note 15)	171,292	2,960	-	-	2,960	168,332	113
Agriculture line of credit (Note 15)	2,851,860	302,634	-	-	302,634	2,549,226	17,493
Total financial assets at amortised cost	**347,148,163**	**34,051,567**	**-**	**-**	**34,051,567**	**313,096,596**	**5,089,206**

The bank doesn’t have any financial instrument for which no loss allowance has been recognised as a result of holding collateral.
The bank holds cash collateral against the financial instruments as disclosed above.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)
d) Credit risk (Continued)
Collateral held and other credit enhancements (Continued)

Financial assets 2024	Total exposure to credit risk Ushs'000	Cash Securities Ushs'000	Property Ushs'000	Others Ushs'000	Total Collateral Ushs'000	Net exposure Ushs'000	Associated ECLs Ushs'000
Cash and balances with Bank of Uganda (Note 29)	37,689,953	-	-	-	-	37,689,953	-
Placements and deposits with other banks (Note 14)	55,597,370	-	-	-	-	55,597,370	378,227
Government securities (Note 13 (b))	4,586,555	-	-	-	-	4,586,555	31,203
Other assets (Note 18)	3,306,361	-	-	-	-	3,306,361	-
Loans and advances to customers						-	
Microfinance Group loans (Note 15)	127,615,405	21,410,115	-	-	21,410,115	106,205,290	2,207,509
Small Enterprises Program (Note 15)	74,352,255	10,939,799	-	-	10,939,799	63,412,456	2,500,155
Staff loan (Note 15)	1,597,360	-	-	-	-	1,597,360	65,322
Salary Loan (Note 15)	-	-	-	-	-	-	-
Agriculture line of credit (Note 15)	-	-	-	-	-	-	-
Total financial assets at amortised cost	**304,745,259**	**32,349,914**	**-**	**-**	**32,349,914**	**272,395,345**	**5,182,416**

The bank doesn't have any financial instrument for which no loss allowance has been recognised as a result of holding collateral. The bank holds cash collateral against the financial instruments as disclosed above.

The comparative information has been adjusted to include the disclosure on the collateral held and the other credit enhancements.

The table below sets out the carrying amount and the fair value of identifiable collateral held against the loans and advances

	2025 Gross carrying amount Ushs'000	2025 Collateral Ushs'000	2024 Gross carrying amount Ushs'000	2024 Collateral Ushs'000
Stage 1 and 2	208,206,850	32,410,049	195,406,301	30,742,381
Stage 3	5,806,420	1,641,518	6,195,247	1,607,533
	214,013,270	**34,051,567**	**201,601,548**	**32,349,914**

		Fair value of collateral				
2025	**Maximum exposure Ushs'000**	**Cash Ushs'000**	**Properties Ushs'000**	**Total collateral Ushs'000**	**Net exposure Ushs'000**	**Associated ECL**
Loans and advances	207,615,176	34,051,567	-	34,051,567	179,961,702	4,359,374
2024						
Loans and advances	196,828,562	32,349,913	-	32,349,913	169,404,008	4,772,987

Apart from loans and advances, all other financial assets are unsecured.

Amounts arising from ECL

The following table show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2024 represent the allowance account for credit losses and reflect the measurement basis under IFRS 9.

	2025 12-month ECL Ushs '000	2024 12-month ECL Ushs '000
Balance at 1 January	4,772,986	3,421,700
Change during the year	4,324,868	4,962,650
Financial assets derecognized	(4,738,480)	(3,611,364)
Balance at 31 December	**4,359,374**	**4,772,986**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

ECL disclosures for financial assets

2025	12-month ECL Ushs '000	Lifetime ECL not credit impaired Ush '000	Lifetime ECL credit impaired Ushs '000	Total Ushs '000
Cash and Bank	557,310	-	-	557,310
Short term deposits	141,319	-	-	141,319
Investment in government securities	31,203	-	-	31,203
Loans and advances	132,300	28,833	4,198,241	4,359,374
Total	**862,132**	**28,833**	**4,198,241**	**5,089,206**

2024	12-month ECL Ushs '000	Lifetime ECL not credit impaired Ush '000	Lifetime ECL credit impaired Ushs '000	Total Ushs '000
Cash and Bank	201,856	-		201,856
Short term deposits	176,371	-	-	176,371
Investment in government securities	31,203	-	-	31,203
Loans and advances	122,191	28,002	4,622,793	4,772,986
Total	**531,621**	**28,002**	**4,622,793**	**5,182,416**

Inputs, assumptions, and techniques used for estimating impairment

Significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

The remaining lifetime probability of default (PD) as at the reporting date; with

The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The entity uses the criteria for determining whether there has been a significant increase in credit risk: quantitative test based on the days past due; and qualitative indicators;

- quantitative test based on the days past due; and
- qualitative indicators;
- a backstop of 30 days past due

Generating the term structure of PD

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

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

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

Determining whether credit risk has increased significantly

The entity considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due for non-micro and 20 days past due for micro. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Due dates are determined after considering the grace period that might be available to the borrower. If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL.

Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, The Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Inputs, assumptions, and techniques used for estimating impairment

The entity monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default
- a significant increase in credit risk when contractual payments are more than 30 days past due for non-micro (or 20 days for micro-portfolios)
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and;
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

In assessing whether the borrower is in default; the Bank considers indicators that are:

- qualitative e.g. breach of covenant
- quantitative e.g. overdue status or non-payment on another obligation of the same borrower to the Bank and;
- based on data developed internally or obtained from external sources

The entity considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the entity in full, without recourse by the Bank to actions such as realizing security (if any is held);
- the borrower is more than 90 days (non-micro loans) or 30 days (micro loans) past due on any material credit obligation to the entity.; or

Incorporation of forward-looking information

The Bank incorporates forward looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of the ECL.

External information considered includes economic data and forecasts published by government bodies and monetary authorities such as Uganda Bureau of Statistics, Bank of Uganda and World Bank.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

The Bank has identified a key driver for credit risk for its portfolio as included in the table below.

Non-micro portfolio

	Lending Rate	364-T-Bill	Inflation Core
At 31 December 2025	16.88%	15.05%	3.10
At 31 December 2024	18.06%	15.05%	3.30

Micro Portfolio

	Lending Rate
At 31 December 2025	16.88%
At 31 December 2024	18.06%

Loss Allowance

The loss allowance recognized in the period is impacted by a variety of factors as described below:

- Transfer between stage 1 and stage 2 or 3 due to financial instrument experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent step up (or step down) between 12 months and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments derecognised during the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to the models;
- Impact on the measurement of ECL due to changes made to the model or assumptions;
- Discounts unwind within ECL due to the passage of time as ECL is measured on present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write offs of allowances related to assets that were written off during the period.
- An increase in the gross carrying amounts of the loans advances impacts on the movement in the ECL amounts with a consideration of the relevant PDs used in the ECL computation.
- The ECL on the placements and cash and bank balances is directly impacted by the increase or decrease of the closing balance by the year end.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

The following table explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Year ended 31 December 2025

ECL Movement for loans and advances	**Stage 1 12-month ECL Ushs'000**	**Stage 2 Lifetime ECL Ushs'000**	**Stage 3 Lifetime ECL Ushs'000**	**Total Ushs'000**
Loss allowance as at 1 January 2025	122,191	28,002	4,622,793	4,772,986
Transfers to stage 1	-	-	-	-
Transfers to stage 2	(1,391)	1,391	-	-
Transfers to stage 3	(1,655,465)	(335,387)	1,990,852	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	1,779,844	347,649	2,964,013	5,091,506
Financial assets that have been derecognized	(112,879)	(12,822)	(640,635)	(766,336)
Write-offs	-	-	(4,738,782)	(4,738,782)
Foreign exchange movements	-	-	-	-
Loss allowance as at 31 December 2025	**132,300**	**28,833**	**4,198,241**	**4,359,374**

Year ended 31 December 2024

ECL Movement for loans and advances	**Stage 1 12-month ECL Ushs'000**	**Stage 2 Lifetime ECL Ushs'000**	**Stage 3 Lifetime ECL Ushs'000**	**Total Ushs'000**
Loss allowance as at 1 January 2025	138,626	28,706	3,254,368	3,421,700
Transfers to stage 1	32,201	(923)	(31,278)	-
Transfers to stage 2	(1,298)	1,298	-	-
Transfers to stage 3	(6,352)	(9,794)	16,146	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	84,806	26,408	5,538,700	5,649,914
Financial assets that have been derecognized	(125,792)	(17,693)	(543,779)	(687,264)
Write-offs	-	-	(3,611,364)	(3,611,364)
Foreign exchange movements	-	-	-	-
Loss allowance as at 31 December 2025	**122,191**	**28,002**	**4,622,793**	**4,772,986**

Detailed analysis of expected credit losses on Cash and cash equivalents and deposits due from banks has been disclosed under note 14(d)

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

Loss allowance reconciliation of financial assets

The following tables provides a reconciliation between:

- Amounts shown in the above tables reconciling opening balances of loss allowances per class of financial instruments; and
- The impairment losses on the financial instruments in line with the statement of comprehensive income.

2025

	Loans and advances to customers at amortized cost	Placements at amortized cost	Investments in government securities	Cash and cash equivalents	Total
Balance at 1 January	4,772,986	176,371	31,203	201,856	5,182,416
Charge during the year	4,324,868	(35,052)	-	355,454	4,645,270
Write offs during the year	(4,738,480)	-	-	-	(4,738,480)
Balance at 31 December	**4,359,374**	**141,319**	**31,203**	**557,310**	**5,089,206**

2024

	Loan s and advances to customers at amortized cost	Placements at amortized cost	Investments in government securities	Cash and cash equivalents	Total
Balance at 1 January	3,421,700	121,537	-	135,707	3,678,944
Charge during the year	4,962,650	54,834	31,203	66,149	5,114,836
Write offs during the year	(3,611,364)	-	-	-	(3,611,364)
Balance at 31 December	**4,772,986**	**176,371**	**31,203**	**201,856**	**5,182,416**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

The following table provides a reconciliation between.

- Amounts shown in the above tables reconciling opening balances of loss allowances per class of financial instruments; and

2025

	Loans and advances to customers at amortized cost	Placements with other banking institutions	Investment in government securities	Deposits with other banks	Total
Balance at 1 January	**201,601,548**	**26,102,026**	**4,617,758**	**29,873,571**	**262,194,903**
Loans disbursed	487,934,775	-	-	-	487,934,775
Loan repayments	(470,784,272)	-	-	-	(470,784,272)
Loan write offs	(4,738,782)	-	-	-	(4,738,782)
Net cash movement	-	33,137,921	2,938,448	5,359,239	41,435,608
Deferred loan fees	(1,833,679)	-	-	-	(1,833,679)
Deferred staff expense	(205,040)	-	-	-	(205,040)
Balance at 31 December	**211,974,550**	**59,239,947**	**7,556,206**	**35,232,810**	**314,003,513**

2024

	Loans and advances to customers at amortized cost	Placements with other banking institutions	Investment in government securities	Deposits with other banks	Total
Balance at 1 January	**187,601,523**	**17,986,901**	**-**	**20,083,917**	**225,672,341**
Loans disbursed	462,819,029	-	-	-	462,819,029
Loan repayments	(443,244,168)	-	-	-	(443,244,168)
Loan write offs	(3,611,364)	-	-	-	(3,611,364)
Net cash movement	-	8,115,125	4,617,758	9,789,654	22,522,537
Deferred loan fees	(1,802,152)	-	-	-	(1,802,152)
Deferred staff expense	(161,320)	-	-	-	(161,320)
Balance at 31 December	**201,601,548**	**26,102,026**	**4,617,758**	**29,873,571**	**262,194,903**

Credit risk concentration by sector

The Bank monitors concentration of credit risk by sector. An analysis of concentration of credit risk from loans and advances to customers is disclosed under note 15 (c).

From a risk management point of view, once an asset is forborne or modified due to financial difficulties of the borrower, the Bank monitors the exposure until it exits forbearance, i.e., it is either cured or completely and ultimately derecognised.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

Inputs, assumptions, and techniques used for estimating impairment (Continued)

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12 months ECL during the period.

31 December 2025	Post modification		Pre-modification	
	Gross carrying amount Ushs'000	Corresponding ECL Ushs'000	Gross carrying amount Ushs'000	Corresponding ECL Ushs'000
Facilities that have cured since modification and are now measured using the 12-month ECL	-	-	-	-

31 December 2024	Post modification		Pre-modification	
	Gross carrying amount Ushs'000	Corresponding ECL Ushs'000	Gross carrying amount Ushs'000	Corresponding ECL Ushs'000
Facilities that have cured since modification and are now measured using the 12-month ECL	-	-	3,658	1,564
Facilities that have reverted to Stage 2/3 lifetime ECL having once cured	-	-	-	-

During the year, we had contractual financial assets (loans and advances) that were written off amounting to Ushs 4.7 billion (2024: Ushs 3.6 billion) which were subject to enforcement activities.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

Inputs, assumptions, and techniques used for estimating impairment (Continued)

The following table explains changes in the gross carrying amount of the consumer portfolio to explain their significance in the loss allowance for the same portfolio as discussed above:

31/12/2025	ECL Staging Stage 1 12-month ECL Ushs '000	Stage 2 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Purchased Credit Impaired Ushs '000	Total Ushs '000
Consumer loans					
Gross-carrying amounts:					
At 1 January	188,458,206	4,051,945	11,054,869	-	203,565,020
Transfers:					
Transfers from stage 1 to stage 2	(336,926)	336,926	-	-	-
Transfers from stage 1 to stage 3	(2,509,996)	-	2,509,996	-	-
Transfers from stage 2 to stage 3	-	(451,946)	451,946	-	-
Transfers from stage 3 to stage 2	-	-	-	-	-
Transfers from stage 2 to stage 1	217	(217)	-	-	-
Transfers from stage 3 to stage 1	120	-	(120)	-	-
New assets originated or purchased	199,081,636	809,330	2,063,034	-	201,954,000
Payments or assets derecognized	(179,513,061)	(1,719,385)	(5,534,523)	-	(186,766,969)
Write-offs	-	-	(4,738,782)	-	(4,738,782)
	205,180,196	**3,026,653**	**5,806,420**	**-**	**214,013,269**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

Inputs, assumptions, and techniques used for estimating impairment (Continued)

31/12/2025	**ECL Staging**				
	Stage 1 12-month ECL Ushs '000	**Stage 2 Lifetime ECL Ushs '000**	**Stage 3 Lifetime ECL Ushs '000**	**Purchased Credit Impaired Ushs '000**	**Total Ushs '000**
Consumer loans					
ECL Amounts:					
At 1 January	122,191	28,002	4,622,793	-	4,772,986
Transfers:					
Transfers from stage 1 to stage 2	(1,391)	1,391	-	-	-
Transfers from stage 1 to stage 3	(1,655,465)	-	1,655,465	-	-
Transfers from stage 2 to stage 3	-	(335,387)	335,387	-	-
Transfers from stage 3 to stage 2	-	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-	-
Transfers from stage 3 to stage 1	-	-	-	-	-
New assets originated or purchased	1,779,844	347,649	2,964,013	-	5,091,506
Payments or assets derecognized	(112,879)	(12,822)	(640,635)	-	(766,336)
Write-offs	-	-	(4,738,782)	-	(4,738,782)
	132,300	**28,833**	**4,198,241**	**-**	**4,359,374**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

Inputs, assumptions, and techniques used for estimating impairment (Continued)

31/12/2024	ECL Staging Stage 1 12-month ECL Ushs '000	Stage 2 Lifetime ECL Ushs '000	Stage 3 Lifetime ECL Ushs '000	Purchased Credit Impaired Ushs '000	Total Ushs '000
Consumer loans					
Gross-carrying amounts:					
At 1 January	181,912,628	2,969,189	4,475,141	-	189,356,958
Transfers:					
Transfers from stage 1 to stage 2	(1,097,874)	1,097,874	-	-	-
Transfers from stage 1 to stage 3	(7,063,281)	-	7,063,281	-	-
Transfers from stage 2 to stage 3	-	(859,508)	859,508	-	-
Transfers from stage 3 to stage 2	-	-	-	-	-
Transfers from stage 2 to stage 1	83,567	(83,567)	-	-	-
Transfers from stage 3 to stage 1	41,511	-	(41,511)	-	-
New assets originated or purchased	182,930,715	2,929,070	2,853,595	-	188,713,380
Payments or assets derecognized	(168,349,060)	(2,001,113)	(543,781)	-	(170,893,954)
Write-offs	-	-	(3,611,364)	-	(3,611,364)
	188,458,206	**4,051,945**	**11,054,869**	**-**	**203,565,020**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Credit risk (Continued)

Inputs, assumptions, and techniques used for estimating impairment (Continued)

31/12/2024	**ECL Staging**				
	Stage 1 12-month ECL Ushs '000	**Stage 2 Lifetime ECL Ushs '000**	**Stage 3 Lifetime ECL Ushs '000**	**Purchased Credit Impaired Ushs '000**	**Total Ushs '000**
Consumer loans					
ECL amounts:					
At 1 January	138,626	28,706	3,254,368	-	3,421,700
Transfers:					
Transfers from stage 1 to stage 2	(1,298)	1,298	-	-	-
Transfers from stage 1 to stage 3	(6,352)	-	6,352	-	-
Transfers from stage 2 to stage 3	-	(9,794)	9,794	-	-
Transfers from stage 3 to stage 2	-	-	-	-	-
Transfers from stage 2 to stage 1	923	(923)	-	-	-
Transfers from stage 3 to stage 1	31,278	-	(31,278)	-	-
New assets originated or purchased	84,806	26,408	5,538,700	-	5,649,914
Payments or assets derecognized	(125,793)	(17,692)	(543,779)	-	(687,264)
Write-offs	-	-	(3,611,364)	-	(3,611,364)
	122,190	**28,003**	**4,622,793**	**-**	**4,772,986**

e) Liquidity risk

Liquidity risk is the risk that operations cannot be funded, and financial commitments cannot be met timely and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Bank and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated, and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Bank and also from available financial institutions facilities.

BRAC Uganda Bank Limited manages its debt maturity profile, operating cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, BRAC Uganda Bank Limited maintains sufficient levels of cash or fixed deposits to meet its working capital requirements. The Bank's continuous efforts in mobilizing sticky deposits are not only a strategic initiative but also part of its liquidity management initiatives. In addition, the Bank maintains the grouping facilities of a reasonable level as part of its liquidity management strategies.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Liquidity risk (Continued)

Exposure to Liquidity risk

The table below analyses the financial assets and undiscounted financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2025 to the contractual maturity date.

31 December 2025	Up to 1 month Ushs '000	From 1 to 3 months Ushs '000	From 3 to 12 months Ushs '000	Above 12 months Ushs '000	Contractual Amount Ushs '000	Carrying Amount Ushs '000
Assets						
Financial assets						
Cash and bank	2,439,617	-	-	-	2,439,617	2,439,617
Government securities	3,539,749	4,016,457	-		7,556,206	7,556,206
Deposits due from other financial Institutions	46,736,338	13,092,218	16,075,347	-	75,903,903	74,744,477
Loans and advances to customers	27,442,424	48,893,488	148,029,756	13,062,630	237,428,298	207,615,176
Other assets	-	-	1,560,442	-	1,560,442	1,560,442
Related party receivables	-	-	109,694	-	109,694	109,694
Total financial assets	**80,158,128**	**66,002,163**	**165,775,239**	**13,062,630**	**324,998,160**	**294,025,612**
Financial liabilities						
Customer deposits	55,399,230	22,606,269	23,752,888	52,422,782	154,181,169	154,181,169
Related party payables	-	-	1,892,315	-	1,892,315	1,892,315
Borrowings and managed funds	7,385,936	15,567,236	24,695,488	39,129,003	86,777,663	70,748,374
Other liabilities	-	-	7,444,525	-	7,444,525	7,444,525
Lease liabilities	608,376	1,340,890	9,950,145	12,172,288	24,071,699	10,913,973
Total financial liabilities	**63,393,542**	**39,514,395**	**67,735,361**	**103,724,073**	**274,367,371**	**245,180,356**
Net Liquidity position	**16,764,586**	**26,487,768**	**98,039,878**	**(90,661,443)**	**50,630,789**	**48,845,256**

33. FINANCIAL RISK MANAGEMENT (CONTINUED

e) Liquidity risk (Continued)

The table below analyses the financial assets and undiscounted financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2024 to the contractual maturity date.

31 December 2024	Up to 1 month Ushs '000	From 1 to 3 months Ushs '000	From 3 to 12 months Ushs '000	Above 12 months Ushs '000	Contractual Amount Ushs '000	Carrying Amount Ushs '000
Assets						
Financial assets						
Cash and bank	2,466,889	-	-	-	2,466,889	2,466,889
Government securities	-	4,586,555	-	-	4,586,555	4,586,555
Deposits due from other financial Institutions	-	29,742,290	26,657,410	-	56,399,700	55,597,370
Loans and advances to customers	20,306,890	47,428,228	138,754,304	17,547,534	224,036,957	196,828,562
Other assets	76,658	111,227	119,894	494,194	801,973	801,973
Related party receivables	739,207	-	3,943,470	-	4,682,677	4,682,677
Total financial assets	**23,589,644**	**81,868,300**	**169,475,078**	**18,041,728**	**292,974,750**	**264,964,026**
Financial liabilities						
Customer deposits	53,403,999	13,148,073	55,544,228		122,096,300	122,096,300
Related party payables	2,037,910	-	5,327,383	-	7,365,293	7,365,293
Borrowings and managed funds	8,067,530	9,488,555	45,087,451	23,519,938	86,163,474	77,346,701
Other liabilities	1,543,852	203,438	4,342,276	400,403	6,489,969	6,489,963
Lease liabilities	692,517	1,263,567	9,389,947	11,053,785	22,399,816	9,242,090
Total financial liabilities	**65,745,808**	**24,103,633**	**119,691,285**	**34,974,126**	**244,514,852**	**222,540,347**
Net Liquidity position	**(42,156,164)**	**57,764,667**	**49,783,793**	**(16,932,398)**	**48,459,898**	**42,423,679**

The comparative information has been adjusted to adjust the amounts to the reflect the contractual amounts.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks

Overall responsibility for managing market risk rests with the Chief Executive Officer. Management is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

g) Currency risk

BRAC Uganda Bank Limited foreign exchange risks comprise transactions risk which arise from funds received in currencies other than the local currency and minimal foreign currency deposits and cash at the Bank placed with licensed financial institutions. BRAC Uganda Bank Limited is exposed to foreign currency fluctuations mainly in respect of cash and cash equivalents and borrowings denominated in United States Dollars.

The following are the foreign exchange rates applicable in the year.

	2025	**2024**
Closing rate - 1 USD to Ushs	3,619.73	3,670.27
Average rate - 1 USD to Ushs	3,605.47	3,761.46

Foreign exchange exposures in transactional currencies other than the local currency are monitored via periodic cash flow and budget forecasts and are kept to an acceptable level.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

g) Currency risk (Continued)

The table below summarizes the Bank's exposure to foreign currency risk as at 31 December 2025. The amounts denominated in Uganda Shillings (Ushs) are indicated in the table below for information.

	Ushs Ushs '000	USD Ushs '000	2025 Total Ushs '000	Ushs Ushs '000	USD Ushs '000	2024 Total Ushs '000
ASSETS						
Cash and cash equivalents	32,324,424	24,377,654	56,702,078	24,723,939	7,616,522	32,340,461
	32,324,424	**24,377,654**	**56,702,078**	**24,723,939**	**7,616,522**	**32,340,461**
LIABILITIES						
Borrowings and managed funds	45,695,827	25,052,547	70,748,374	71,382,298	5,964,403	77,346,701
	45,695,827	**25,052,547**	**70,748,374**	**71,382,298**	**5,964,403**	**77,346,701**
Net currency position	**-**	**(674,893)**	**-**	**-**	**1,652,119**	**-**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

g) Currency risk (Continued)

Sensitivity analysis

The following sensitivity analysis reflects the impact that is reasonably possible at the reporting date. Management monitors the impact of 5% movement in foreign exchange rates. This considers the fluctuation in the foreign currency rates obtained from Bank of Uganda website. The reasonably possible change does not include remote or worst-case scenarios or stress tests. A 5 percent depreciation of the Shilling against the USD currency at 31 December 2025 would have changed the net position by the amount shown below. This analysis assumes that all other variables, interest rates, remains constant. A 5 percent strengthening of the Uganda shilling against the above currencies would have had an equal but opposite effect to the amount shown above.

	2025 Ushs '000 Effect on profit before tax	2024 Ushs '000 Effect on profit before tax
Currency-USD		
+5% US$ Movement	(33,745)	(82,606)
-5% US$ Movement	33,745	82,606

	2025 Ushs '000 Effect on equity	2024 Ushs '000 Effect on equity
Currency-USD		
+5% US$ Movement	(23,621)	(57,824)
-5% US$ Movement	23,621	57,824

h) Interest rate risk

BRAC Uganda Bank Limited exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to Bank members. BRAC Uganda Bank Limited does not engage in speculative transactions or take speculative positions on its interest rates.

The table below summarizes the exposure to interest rate risk through grouping of assets and liabilities into repricing categories, determined to be the earlier of the contractual repricing date or maturity.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

h) Interest rate risk (Continued)

Year ended 31 December 2025	Average	Up to 1 month	From 1 to 3 months	From 3 to 12 months	Above 12 months	Sub total	Fixed interest rates instruments	Non-interest bearing	Total
	Interest	Ushs ‘000	Ushs ‘000	Ushs ‘000	Ushs ‘000	Ushs ‘000	Ushs ‘000	Ushs ‘000	Ushs ‘000
Financial Assets									
Cash and balances with the central bank		-	-	-	-	-	-	2,439,617	2,439,617
Deposits due from other financial Institutions	**12.66%**	45,993,872	12,796,959	15,953,646	-	74,744,477	-	-	74,744,477
Government securities	**11.50%**	-	-	-	-	-	7,525,003	-	7,525,003
Loans and advances to customers	**53.38%**	-	-	-	-	-	214,013,269	**-**	214,013,269
Total financial assets		**45,993,872**	**12,796,959**	**15,953,646**	**-**	**74,744,477**	**221,538,272**	**2,439,617**	**298,722,366**
Financial liabilities									
Customer deposits	**6.40%**	55,399,230	22,606,269	23,752,888	52,422,782	154,181,169	-	**-**	154,181,169
Borrowings and managed funds	**13.43%**	3,692,968	3,989,676	12,347,744	50,717,986	70,748,374	-	-	70,748,374
Lease liabilities	**15.00%**	-	312,043	876,794	9,725,136	10,913,973	-	-	10,913,973
Total financial liabilities		**59,092,198**	**26,907,988**	**36,977,426**	**112,865,904**	**235,843,516**	**-**	**-**	**235,843,516**
Interest rate gap		**(13,098,326)**	**(14,111,029)**	**(21,023,780)**	**(112,865,904)**	**(161,099,039)**	**221,538,272**	**2,439,617**	**62,878,850**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

h) Interest rate risk (Continued)

Year ended 31 December 2024	Average Interest	Up to 1 month	From 1 to 3 months	From 3 to 12 months	Above 12 months	Sub total	Fixed interest rates instruments	Non-interest bearing	Total
		Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
Financial Assets									
Cash and balances with the central bank	-	-	-	-	-	-	-	2,466,889	**2,466,889**
Deposits due from other financial Institutions	**13.69%**	37,008,584	16,579,746	2,009,041	-	55,597,371	-	-	**55,597,371**
Government securities	**9.83%**	-	-	-	-	-	4,586,555	**-**	**4,586,555**
Loans and advances to customers	**53.44%**	-	-	-	-	-	196,828,562	**-**	**196,828,562**
Total financial assets		**37,008,584**	**16,579,746**	**2,009,041**	**-**	**55,597,371**	**201,415,117**	**2,466,889**	**259,479,377**
Financial liabilities									
Customer deposits	**6.06%**	53,403,998	13,148,074	55,544,228	-	122,096,300	-	-	122,096,300
Borrowings and managed funds	**12.07%**	2,507,686	5,015,372	22,569,174	47,254,469	77,346,701	-	-	77,346,701
Lease liabilities	**13.90%**	216,541	465,366	2,010,120	6,550,064	9,242,091	-	-	9,242,091
Total financial liabilities		**56,128,225**	**18,628,812**	**80,123,522**	**53,804,533**	**208,685,092**	**-**	**-**	**208,685,092**
Interest rate gap		**(19,119,641)**	**(2,049,066)**	**(78,114,481)**	**(53,804,533)**	**(153,087,721)**	**201,415,117**	**2,466,889**	**50,794,285**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

h) Interest rate risk (Continued)

The previous tables show the discounted cash flows on the Bank's financial instruments on the basis of their earliest possible contractual maturity. The Bank's expected cash flows on these instruments may vary from this analysis. A realistic 1% (2024: 1%) increase/decrease in interest rates in the current year would affect profit or loss before tax by Ushs +/- 1,610,990 (2024: Ushs +/- 1,530,877) and equity by Ushs +/- 1,127,693 (2024: Ushs +/- 1,071,614).

The analysis reflects the impact that is reasonably possible at the reporting date. Management monitors the impact of 1% movement in interest rates. The reasonably possible change does not include remote or worst-case scenarios or stress tests.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank has no financial liabilities and financial assets indexed on the LIBOR.

i) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Organization's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Organization's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each BRAC Program. This responsibility is supported by the development of overall Organizational standards for the management of operational risk in the following areas:

- i) Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- ii) Requirements for the reconciliation and monitoring of transactions
- iii) Compliance with regulatory and other legal requirements
- iv) Documentation of controls and procedures
- v) Requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified
- vi) Requirements for the reporting of operational losses and proposed remedial action
- vii) Development of contingency plans
- viii) Training and professional development
- ix) Ethical and business standards
- x) Close monitoring and management oversight.

Compliance with Bank's standards is supported by a program of periodic reviews undertaken by the compliance department. The results of reviews are discussed with the management of the programs to which they relate, with summaries submitted to the senior management of the Bank.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1 - Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;
- Level 3 - Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

The Bank has no financial instruments measured at fair value, except derivative financial instruments. The table below shows the fair values of financial instruments not measured at fair value, analysed by fair value hierarchy level.

	2025		2024	
As at 31 December	**Carrying Amount Ushs'000**	**Fair Value Level 2 Ushs'000**	**Carrying Amount Ushs'000**	**Fair Value Level 2 Ushs'000**
Financial assets				
Cash and balances with Bank of Uganda	2,439,617	2,439,617	2,466,889	2,466,889
Due from Banks	74,744,477	74,744,477	55,597,370	55,597,370
Debt instruments at amortized cost	7,556,206	7,732,079	4,617,758	4,617,758
Loans and advances to customers	207,615,176	238,413,360	196,828,562	196,828,562
Other assets	1,560,442	1,560,442	801,973	801,973
Financial liabilities				
Borrowings	70,748,374	70,748,374	77,346,701	77,346,701
Customer deposits	154,181,169	154,181,169	122,096,300	122,096,300
Other liabilities	7,444,525	7,444,525	6,489,969	6,489,969

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

As at 31 December 2025	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets measured at amortised cost	**Ushs '000**	**Ushs '000**	**Ushs '000**	**Ushs '000**
Cash and balances with Bank of Uganda	2,439,617	-	2,439,617	-
Debt instruments at amortized cost	7,732,079	-	7,732,079	-
Due from banks	75,903,903	-	75,903,903	-
Loans and advances to customers	238,413,360	-	238,413,360	-
Other assets	1,560,442	-	1,560,442	-
Total assets	**326,049,401**		**326,049,401**	-
Liabilities measured at amortised cost				
Customer deposits	154,181,169	-	154,181,169	-
Borrowings	86,777,663	-	86,777,663	-
Total liabilities measured at amortised cos	**240,958,832**	**-**	**240,958,832**	**-**
Liabilities measured at fair value				
Other liabilities	7,444,525	-	7,444,525	-
Total liabilities measured at fair value	**7,444,525**		**7,444,525**	-

As at 31 December 2024				
Assets measured at amortised cost	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash and balances with Bank of Uganda	2,466,889	-	2,466,889	-
Debt instruments at amortized cost	4,617,758	-	4,617,758	
Due from banks	56,459,536	-	56,459,536	-
Loans and advances to customers	226,828,075	-	226,828,075	-
Other assets	801,973	-	801,973	-
Total assets	**291,174,231**	**-**	**291,174,231**	**-**
Liabilities measured at amortised cost				
Customer deposits	122,096,300	-	122,096,300	-
Borrowings	86,163,474	-	86,163,474	-
Total liabilities measured at amortised cost	**208,259,774**	**-**	**208,259,774**	**-**
Liabilities measured at fair value				
Other liabilities	6,489,969	-	6,489,969	-
Total liabilities measured at fair value	**6,489,969**	**-**	**6,489,969**	**-**

The following methods and assumptions were used to estimate the fair values:

Assets and liabilities for which fair value approximates carrying amounts

The Bank assessed that the fair values of cash and bank balances, other assets, other liabilities, financial guarantees and contract assets approximate their carrying amounts largely due to the short-term maturities of these instruments. These are determined to be Level 2 valuations as the underlying considerations are largely unobservable.

Borrowings

The interest rates charged on borrowings held by the Bank are based on the average borrowing rate of the Bank, which reflects its credit risk. The interest rates are in line with market rates for similar facilities. The fair values of such interest-bearing borrowings not quoted in an active market is based on discounted cash flows using market interest rates.

Debt instruments at amortized cost

Debt instruments at amortized cost are treasury bills issued by the Government of Uganda with fixed interest payments. The fair value for government securities is estimated using market prices for securities with similar credit, maturity and yield characteristics in the primary and secondary market resulting in a Level 2 classification.

34. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

Customer deposits and Deposits from Banks

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand and this is the carrying amount. The estimated fair value of interest-bearing deposits not quoted in an active market is based on discounted cash flows using weighted average rate of the bank's deposits.

Loans and advances to customers

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows for loans are discounted at the year-end prime lending rate to determine fair value. Input into the valuation techniques includes expected lifetime credit losses and interest rates. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

35. ANALYSIS OF CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of movements of liabilities to cash flows arising from financing activities.

	Borrowings and managed funds	Lease liabilities	Liabilities ordinary shares	Total
Balance at 01 January 2025	**77,346,701**	**9,242,090**	**54,421,880**	**141,010,671**
Changes from financing cash flows				
Proceeds from loans and borrowings	20,040,181	-	-	20,040,181
Repayment of borrowings	(26,339,143)	-	-	(26,339,143)
New leases during the year	-	6,185,592	-	6,185,592
Remeasurement adjustments	-	303,479	-	303,479
Payment of lease liabilities	-	(3,128,752)	-	(3,128,752)
Total changes from financing cash flows	**(6,298,962)**	**3,360,319**	**-**	**(2,938,643)**
Other changes:				
Repayment of interest	-	(1,371,067)	-	(1,371,067)
Lease termination	-	(1,715,852)	-	(1,715,852)
Loan arrangement fees	81,569	-	-	81,569
Interest Expense	9,521,691	1,398,483	-	10,920,174
Interest Paid	(9,902,625)	-	-	(9,902,625)
Total liability-related other changes	**(299,365)**	**(1,688,436)**	**-**	**(1,987,801)**
Balance at 31 December 2025	**70,748,374**	**10,913,973**	**54,421,880**	**136,084,227**

	Borrowings and managed funds	Lease liabilities	Liabilities ordinary shares	Total
Balance at 01 January 2024	**74,672,267**	**10,473,416**	**54,421,880**	**139,567,563**
Changes from financing cash flows				
Proceeds from loans and borrowings	35,477,685	-	-	35,477,685
Repayment of borrowings	(32,751,397)	-	-	(32,751,397)
New leases during the year	-	1,818,004	-	1,818,004
Payment of lease liabilities	-	(2,233,442)	-	(2,233,442)
Total changes from financing cash flows	**2,726,288**	**(415,438)**	**-**	**2,310,850**
Other changes:				
Repayment of interest	-	(1,646,882)	-	(1,646,882)
Loan arrangement fees	132,686	-	-	132,686
Lease termination	-	(518,433)	-	(518,433)
Interest expense	10,413,864	1,349,427	-	11,763,291
Interest paid	(10,598,404)	-	-	(10,598,404)
Total liability-related other changes	**(51,854)**	**(815,888)**	**-**	**(867,742)**
Balance at 31 December 2024	**77,346,701**	**9,242,090**	**54,421,880**	**141,010,671**

36. REGULATORY CREDIT RISK RESERVE

	2025 Ushs '000	2024 Ushs '000
At 01 January	465,740	816,675
Transfer (to)/ from retained earnings	260,840	(350,935)
At 31 December	**726,580**	**465,740**

The regulatory credit risk reserve represents amounts by which allowances for impairment of loans and advances determined in accordance with the Uganda Financial Institutions Act exceed those determined in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. These amounts are appropriated from retained earnings in accordance with accounting policy. The reserve is not distributable.

The regulatory credit risk reserve figure is analyzed as follows:

Provisions as per FIA	2025 Ushs '000	2024 Ushs '000
Specific provisions	2,975,578	3,234,396
General provisions	2,110,377	2,004,330
	5,085,955	**5,238,726**
Impairment assessment as per IFRS 9		
Stage 1	132,300	122,191
Stage 2	28,834	28,002
Stage 3	4,198,241	4,622,793
	4,359,375	**4,772,986**
Regulatory credit risk reserve (excess)	**726,580**	**465,740**

The prudential provisions in 2024 were higher than the IFRS 9 provisions, and as such a regulatory reserve arose.
For regulatory purposes, the quality of the loan portfolio is determined using both quantitative and qualitative information and segmented into the various classes against which provisions are raised as follows:

a. Non-micro loans [Small Enterprise Program (SEP), Agriculture line of credit (ALC) and staff loans]

Credit classification	Nature of provisions	Quantitative criteria	Percentage provisioning
Standard and current	General provisions	Up to date in payments	1% of outstanding balances net of specific provisions and interest in suspense
Watch		1-89 days in arrears	
Substandard	Specific provisions	90-179 days in arrears	20% of outstanding balance net of cash back security
Doubtful		180-364 days in arrears	50% of outstanding balance net of cash back security
Loss		1 year or more in arrears	100% of outstanding balance net of cash back security

b. Micro loans (Group, ELA, IDP, CHP and agriculture group loans)

Credit classification	Nature of provisions	Quantitative criteria	Percentage provisioning
Standard and current	General provisions	Up to date in payments	1% of the outstanding performing balance of the total credit facility
Watch		1-29 days in arrears	
Substandard	Specific provisions	30-59 days in arrears	25% of outstanding balance net of cash back security
Doubtful		60-89 days in arrears	50% of outstanding balance net cash back security
Loss		90 days or more in arrears	100% of outstanding balance net of cash back security

37. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2025, escalating geopolitical tensions involving the US–Israel and Iran conflict have contributed to heightened global oil price volatility, with knock-on effects in East African, including Ugandan, markets. In accordance with IAS 10, this is a non-adjusting event as it reflects conditions that arose after the reporting period; no adjustments have been made to the amounts recognised in these financial statements as at 31 December 2025.

The situation may influence the macroeconomic environment in Uganda through pressures on inflation, interest rates, and foreign exchange, with potential impacts on customer activity and balances, funding costs, and credit risk in future periods. The financial effect cannot be reliably estimated at the date of approval; management is monitoring developments and will reflect any consequences in subsequent reporting periods as appropriate

38. CURRENCY

These financial statements are presented in thousands of Uganda Shillings (rounded off to the nearest thousands (Ushs '000)), which is the Bank's functional currency.

39. CAPITAL COMMITMENTS

The Bank had no capital commitments as at 31 December 2025 (2024: NIL)

40. CONTINGENT ASSETS

The Bank entered into a tenancy Agreement with the Defendant for his premises in Mbale in 2021 for purposes of opening and operating its offices. An advance of the rent was made in the sum of Ushs. 60 million pending refurbishment and completion of the building, and handover thereof. The Defendant breached the Agreement in failing/ refusing to handover the premises frustrating the contract. The Bank terminated and sought a refund of the rent advanced. The matter is still undergoing hearing and based on legal advice, the Directors are confident that the Bank shall receive favourable ruling from the case.

41. ASSETS AND LIABILITIES MATURITY ANALYSIS

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2025 to the contractual maturity date. These amounts do not agree to the statement of financial position as they include unaccrued contractual interest.

31-Dec-25	**Within 12 months**	**After 12 months**	**Total**
Assets	**Ushs '000**	**Ushs '000**	**Ushs '000**
Cash and Bank	2,439,617	-	2,439,617
Deposits due from other financial Institutions	75,903,903	-	75,903,903
Central Bank Securities	7,525,003	-	7,525,003
Loans and advances to customers	229,331,079	8,097,218	237,428,297
Other assets	4,113,441	-	4,113,441
Related party receivable	109,694	-	109,694
Tax recoverable	41,911	-	41,911
Deferred tax asset	-	2,420,235	2,420,235
Property and equipment	-	5,737,521	5,737,521
Right of use	-	9,761,166	9,761,166
Capital work in progress	-	1,786,227	1,786,227
Intangible assets	-	4,958,556	4,958,556
Total assets	**319,464,648**	**32,760,923**	**352,225,571**
Liabilities			
Customer deposits	101,758,387	52,422,782	154,181,169
Related party payables	1,892,315	-	1,892,315
Borrowings and managed funds	27,618,272	59,159,391	86,777,663
Other liabilities	11,762,249	-	11,762,249
Donor funds	6,567,539	-	6,567,539
Lease liabilities	5,047,267	19,024,433	24,071,700
Total liabilities	**154,646,029**	**130,606,606**	**285,252,635**
Net assets	**164,818,619**	**(97,845,683)**	**66,972,936**

41. ASSETS AND LIABILITIES MATURITY ANALYSIS (CONTINUED)

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2024 to the contractual maturity date. These amounts do not agree to the statement of financial position as they include unaccrued contractual interest.

31 December 2024	Within 12 months	After 12 months	Total
Assets	**Ushs '000**	**Ushs '000**	**Ushs '000**
Cash and bank	2,466,889	-	2,466,889
Deposits due from other financial Institutions	56,459,536	-	56,459,536
Central Bank Securities	4,586,555	-	4,586,555
Loans and advances to customers	217,491,373	6,545,584	224,036,957
Other assets	2,812,165	494,194	3,306,359
Related party receivable	4,682,677	-	4,682,677
Tax recoverable	41,911	-	41,911
Deferred tax asset	-	4,656,890	4,656,890
Property and equipment	-	6,123,142	6,123,142
Right of use	-	7,342,858	7,342,858
Work in progress	-	1,820,513	1,820,513
Intangible assets	-	7,859,392	7,859,392
Total assets	**288,541,106**	**34,842,573**	**323,383,679**
Liabilities			
Customer deposits	121,838,494	257,806	122,096,300
Related party payables	7,365,293	-	7,365,293
Borrowings and managed funds	35,282,542	50,880,932	86,163,474
Other liabilities	11,273,376	400,403	11,673,779
Donor funds	8,318,387	-	8,318,387
Lease liabilities	6,550,457	15,849,360	22,399,817
Total liabilities	**190,628,549**	**67,388,501**	**258,017,050**
Net assets	**97,912,557**	**(32,545,928)**	**65,366,629**

42. CORRECTION OF PRIOR PERIOD ERROR

The Bank did not accrue management fees for services provided by BRAC International Holdings B.V. for Quarter 2 to Quarter 4 of 2024, amounting to USD 484,838 (equivalent to Ushs 2.717 billion), inclusive of applicable taxes, in the financial statements for the year ended 31 December 2024, which were issued on 20 March 2025. This was due to an objection raised by the Central Bank (Bank of Uganda) during the finalisation of the 2024 financial statements.

Subsequently, on 20 May 2025, the Bank of Uganda issued a no-objection to the payment of these management fees, prompting their recognition. The directors determined that the non-accrual of the management fees in 2024 was an error, as the fees had been incurred and the amounts were determinable in 2024.

Accordingly, in line with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the error has been corrected retrospectively by restating the comparative 2024 amounts in the 2025 financial statements. As the error relates only to the 2024 financial year, a third statement of financial position has not been presented in the 2025 financial statements, as there is no impact on the previously issued financial statements for earlier periods.

The Bank maintained capital ratios above the minimum regulatory thresholds both before and after recognising the management fee obligation.

Analysis of the restatement

Statement of comprehensive income and statement of changes in equity

The restatement primarily recognises unrecorded management fees (Ushs 1,957,409 thousand) and related withholding tax (Ushs 759,937 thousand) in 2024, totaling Ushs 2,717,346 thousand, recognised within other operating expenses.

As a result of the above adjustment, taxable income and profit before tax, which form the basis for the income tax expense and the donation expense to BRAC NGO reduce, leading to a reduction in the income tax charge of Ushs 774,444 thousand and a decrease in the donations expense (recorded in other operating expenses) of Ushs 135,867 thousand.

The combined effect of the above adjustments, the correction of minor casting errors, and the reclassification of income from written-off loans from the 'membership fees and other charges' caption to 'other income' (Note 8 (a) and Note 8 (b)) results in a net impact on retained earnings of Ushs 1,807,037 thousand, as reflected in the statement of financial position and the statement of changes in equity.

Statement of financial position

The restatement increases related party payables and other liabilities by Ushs 1,957,408 thousand and Ushs 759,937 thousand, respectively, to recognise the management fees payable and withholding tax payable. In addition, the deferred tax asset and donations payable increase by Ushs 774,444 thousand and Ushs 135,867 thousand, respectively, reflecting the related tax and donation impacts.

Statement of cash flows

The impact on the statement of cash flows relates to the effects of the above adjustments to profit after tax, income tax charge, and changes in related party payables and other liabilities. There is no impact on the net increase in cash and cash equivalents or the cash and cash equivalents balance as at 31 December 2024, as previously reported.

The detailed effect of correcting this error in the restated statement of comprehensive income, statement of financial position, statement of changes in equity, and statement of cash flows is presented below.

42. CORRECTION OF PRIOR PERIOD ERROR (Continued)

Statement of comprehensive income

Particulars	As Previously Reported 2024 Ushs '000	Adjustment on management fees expense 2024 Ushs '000	Adjustment on donation expense 2024 Ushs '000	Withholding tax on management fees 2024 Ushs '000	Adjustment on Deferred tax expense 2024 Ushs '000	Reclassification of income from written off loans 2024 Ushs '000	Restated Balance 2024 Ushs '000
Interest income on loans and advances	101,003,728	-	-	-	-	-	101,003,728
Other interest income	3,445,276	-	-	-	-	-	3,445,276
Interest expense on borrowings	(10,413,863)	-	-	-	-	-	(10,413,863)
Other finance costs	(9,536,847)	-	-	-	-	-	(9,536,847)
Net income from service charge	**84,498,294**	**-**	**-**	**-**	**-**	**-**	**84,498,294**
Membership fees and other charges	8,114,047	(3)	-	-	-	(1,719,232)	6,394,812
Other income	502,385	(1)	-	-	-	1,719,232	2,221,616
Net finance income	44,471	-	-	-	-		44,471
Revenue	**93,159,197**	**(4)**	**-**	**-**	**-**	**-**	**93,159,193**
Expected credit loss on financial assets	(5,114,836)	-	-	-	-	-	(5,114,836)
Grant income	5,287,356	-	-	-	-	-	5,287,356
Staff costs	(47,042,370)	-	-	-	-	-	(47,042,370)
Other operating expenses	(28,026,215)	(1,957,409)	135,867	(759,937)			(30,607,694)
Depreciation of property and equipment	(2,765,055)	-	-	-	-	-	(2,765,055)
Amortization of software	(1,222,608)	-	-	-	-	-	(1,222,608)
Depreciation of right of use assets	(2,545,812)	-	-	-	-	-	(2,545,812)
Profit before tax	**11,729,657**	**(1,957,413)**	**135,867**	**(759,937)**	**-**	**-**	**9,148,174**
Income tax charge	(3,563,356)	-	-	-	774,444	-	(2,788,912)
Net profit for the year	**8,166,301**	**(1,957,413)**	**135,867**	**(759,937)**	**774,444**	**-**	**6,359,262**
Other comprehensive income	-						-
Total comprehensive income for the year, net of tax	**8,166,301**	**(1,957,413)**	**135,867**	**(759,937)**	**774,444**	**-**	**6,359,262**

42. CORRECTION OF PRIOR PERIOD ERROR Continued)

Statement of Financial Position

Particulars	As Previously Reported 2024 Ushs '000	Adjustment on Donation Payable 2024 Ushs '000	Adjustment on Deferred tax asset 2024 Ushs '000	Adjustment on management fees Payable 2024 Ushs '000	Withholding tax payable on management fees 2024 Ushs '000	Adjustments on Retained earnings 2024 Ushs '000	Restated Balance 2024 Ushs '000
ASSETS							
Cash and balances with the central bank	2,466,889	-	-	-	-	-	2,466,889
Deposits and balances due from banks	55,597,370	-	-	-	-	-	55,597,370
Central Bank Securities	4,586,555	-	-	-	-	-	4,586,555
Loans and advances to customers	196,828,562	-	-	-	-	-	196,828,562
Other assets	3,306,361	-	-	-	-	-	3,306,361
Related party receivable	4,546,810	135,867	-	-	-	-	4,682,677
Income tax recoverable	41,911	-					41,911
Deferred tax asset	3,882,446	-	774,444	-	-	-	4,656,890
Property and equipment	6,123,141	-	-	-	-	-	6,123,141
Right-of-use asset	7,342,857	-	-	-	-	-	7,342,857
Capital work in progress	1,820,513	-	-	-	-	-	1,820,513
Intangible assets	7,859,392	-	-	-	-	-	7,859,392
Total Assets	**294,402,807**	**135,867**	**774,444**	**-**	**-**	**-**	**295,313,118**
LIABILITIES AND EQUITY							-
Liabilities							
Deposits from customers	122,096,300	-	-	-	-	-	122,096,300
Related party payables	5,407,880	-		1,957,413	-	-	7,365,293
Borrowings	77,346,701	-	-	-	-	-	77,346,701
Other liabilities	10,913,842	-	-	-	759,937	-	11,673,779
Donor funds	8,318,387	-	-	-	-	-	8,318,387
Lease liabilities	9,242,090	-	-	-	-	-	9,242,090
Total liabilities	**233,325,200**	**-**	**-**	**1,957,413**	**759,937**	**-**	**236,042,550**
Equity							**-**
Share capital	54,421,880	-	-	-	-	-	54,421,880
Accumulated Profit / Loss	5,532,025	-		-	-	(1,807,037)	3,724,988
Proposed Dividends	657,960	-	-	-	-	-	657,960
Regulatory credit risk reserve	465,740	-	-	-	-	-	465,740
Total equity	**61,077,605**	**-**	**-**	**-**	**-**	**(1,807,037)**	**59,270,568**
Total liabilities and equity	**294,402,805**	**-**	**-**	**1,957,413**	**759,937**	**(1,807,037)**	**295,313,118**

42. CORRECTION OF PRIOR PERIOD ERROR (Continued)

Statement of Changes in Equity

	Share capital	Accumulated losses/profits	Proposed Dividends	Regulatory credit risk reserve	Total equity
	Ushs '000	Ushs '000	Ushs '000	Ushs'000	Ushs'000
At 1 January 2024	**54,421,880**	**(2,327,249)**	**-**	**816,675**	**52,911,306**
Transfer to regulatory credit risk reserve	-	350,935	-	(350,935)	**-**
Proposed dividend	**-**	(657,960)	657,960	**-**	**-**
Total comprehensive income for the year	-	8,166,301	-	-	**8,166,301**
Previously Stated At 31 December 2024	**54,421,880**	**5,532,027**	**657,960**	**465,740**	**61,077,607**
At 1 January 2024	**54,421,880**	**(2,327,249)**	**-**	**816,675**	**52,911,306**
Transfer to regulatory credit risk reserve	-	350,935	-	(350,935)	**-**
Proposed dividend	**-**	(657,960)	657,960	**-**	**-**
Total comprehensive income for the year	-	6,359,262	-	-	**6,359,262**
Restated At 31 December 2024	**54,421,880**	**3,724,988**	**657,960**	**465,740**	**59,270,568**

42. CORRECTION OF PRIOR PERIOD ERROR (Continued)

Statement of Cash Flows

	Previously Stated 2024	Adjustment	Restated 2024
	Ushs '000		Ushs '000
Operating activities			
Net cash from operating activities	12,612,501		12,612,501
Investing activities			
Acquisition of property and equipment	(908,064)		(908,064)
Acquisition of software	(135,228)		(135,228)
Acquisition of Right of use Assets	-		-
Proceeds from disposal of assets	44,492		44,492
Investment in work in progress	(1,893,518)		(1,893,518)
Net cash used in investing activities	**(2,892,318)**		**(2,892,318)**
Financing activities			
Receipts from borrowings and managed funds during the year	35,477,685		35,477,685
Loan repayments during the year	(32,751,397)		(32,751,397)
Principal repayment of lease liabilities	(518,433)		(518,433)
Loan arrangement fees	132,686		132,686
Receipts of donor funds	3,135,213		3,135,213
Net cash (used in)/generated from financing activities	**5,475,754**		**5,475,754**
Net increase in cash and cash equivalents	**15,195,937**		**15,195,937**
Cash and cash equivalents at 1 January	21,762,281		21,762,281
Net increase in cash and cash equivalents	15,195,937		15,195,937
			-
Cash and cash equivalents at 31 December	**36,958,218**	**-**	**36,958,218**

42. CORRECTION OF PRIOR PERIOD ERROR (Continued)

Statement of Cash Flows (Continued)

Cash from operating activities Operating activities	Previously Stated 2024 Ushs '000	Adjustment	Restated 2024 Ushs '000
Profit after tax	**8,166,301**	**(1,807,039)**	**6,359,262**
Adjustments for:			
Income tax charge	3,563,356	(774,444)	2,788,912
Depreciation (property and equipment)	2,765,055	-	2,765,055
Depreciation (right of use assets)	2,545,812	-	2,545,812
Amortization (intangible assets)	1,222,608	-	1,222,608
Movement in deferred income	-	-	-
Low Value assets	(438,806)	-	(438,806)
Transfer to the statement of comprehensive income	165,485	-	165,485
Gain on disposal of property and equipment	456,915	-	456,915
Movement in ECL for financial assets	5,114,836	-	5,114,836
Interest expense – leases	1,349,427	-	1,349,427
Gain on termination of the lease	(1,829,297)	-	(1,829,297)
Interest expense – borrowings	10,413,864	-	10,413,864
	33,495,556	**(2,581,483)**	**32,088,062**
Changes in working capital			
Increase in loans and advances	(17,611,389)	-	(17,611,389)
Increase in other assets	602,512	-	602,512
(Increase)/ decrease in related party receivables	400,954	(135,867)	265,087
Decrease/ (increase) in short term deposits	(8,115,125)	-	(8,115,125)
Increase in related party payables	440,366	1,957,413	2,397,779
Increase in other liabilities	2,085,925	759,937	2,845,862
Increase/ (decrease) in voluntary deposits	45,976,836	-	45,976,836
Increase/ (decrease) in loan security fund	(32,417,848)	-	(32,417,848)
Cash inflow from/ (used in) operations	**24,857,787**	**-**	**24,857,787**
Income taxes paid	-		
Interest paid on borrowings	(10,598,404)		(10,598,404)
Accretion of interest	(1,646,882)		(1,646,882)
Net cash from operating activities	**12,612,501**	**-**	**12,612,501**