BARODA'S BELIEF

Trust, Transparency and Togetherness

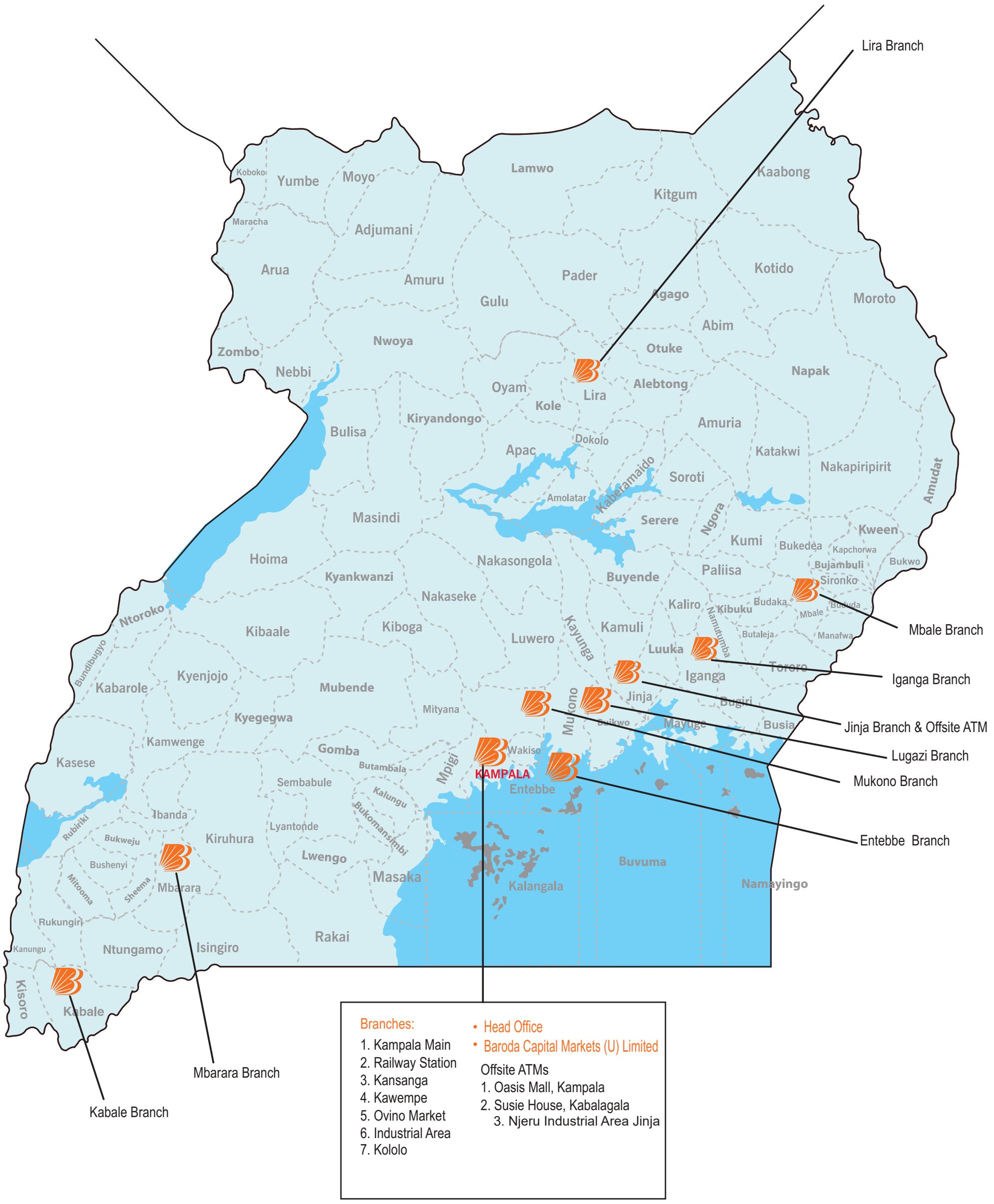
MOTTO FOR THE YEAR 2020

Committed to be the Bank of First choice

BARODA'S MISSION STATEMENT

To be a Top Ranking Local Bank of International Standards Committed to Augmenting Stakeholders' Value through Concern, Care & Competence

Map of Uganda with Baroda's Presence



AWARD CONFERRED DURING 2019


EAST AFRICA
BEST EMPLOYER BRAND AWARDS 2019
Bank of Baroda (Uganda) Ltd.

AWARD CONFERRED ON THE BANK
FOR THE SERVICE TO THE PEOPLE OF UGANDA

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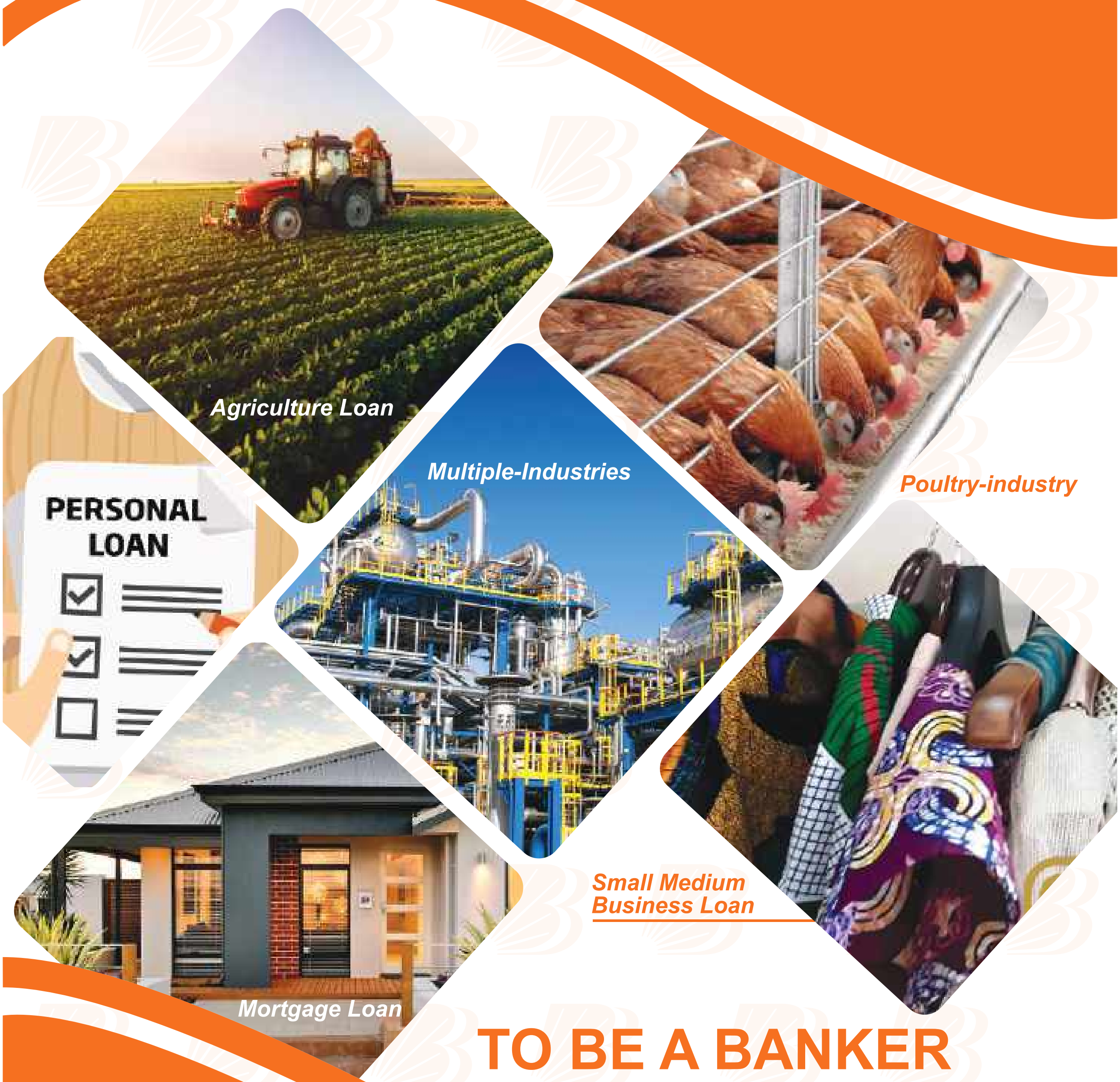
Bank of Baroda (Uganda) Ltd.



TO BE A BANKER
FOR ALL UGANDANS

Head Office:
Plot # 18, Kampala Road,
P.O. Box 7197, Kampala, Uganda
Tel: 0414 - 233 680 / 1

Regulated by Bank of Uganda

Serving the people of Uganda since 1953

Website: www.bankofbaroda.ug

GLOBAL MD & CEO's STATEMENT

Dear Shareholders,

I have the pleasure in welcoming you to the Annual General Meeting of Bank of Baroda (Uganda) Limited. Though the AGM is always a special day for the Bank however this AGM in particular is indeed very special for all of us because this is the 50th Annual General Meeting of Bank of Baroda (Uganda) Limited

As we embark on Bank's 67th year in Uganda, (50 Years as Subsidiary of Bank of Baroda India) the Bank as a whole has made a strong foothold with a solid foundation, excellent industry position and opportunities for growth. Clear strategy and diversified business model makes this Bank unique among competitors facilitating creation of long term value for the shareholders.

The Indian banking sector has witnessed a massive transformation during the recent past with the Government of India implementing the first phase of consolidation of Public Sector Banks (PSBs) in India, with the amalgamation of Vijaya Bank and Dena Bank with Bank of Baroda. It is a recognition of the Bank's strong balance sheet which enables the Bank to play a lead role in consolidation. With effect from April 1, 2019, the new entity is now the second-largest PSB in India and the third largest Bank in the country.

I am confident that the synergies emanating from the consolidation shall further strengthen the Bank's capacity to deliver world class banking products and services to a larger set of customers globally.

ECONOMY & BANKING SECTOR

The economic outlook of Uganda continues to show a positive trend with signs of good weather conditions, robust external demand, increased FDI inflows and public infrastructure spending as planned. Retail, Construction & telecommunications are the key drivers. The medium-term growth of the economy is also positive with robust growth in the service sector. Economic growth for the financial year 2019-20 is estimated in the range of 6-6.5%. Overall prospects are brighter as reflected in the increasing interest evinced by the overseas investors in the emerging economy of Uganda with its free-market economy coupled with a secure and stable socio-economic environment.

PERFORMANCE OF THE BANK

I express sincere gratitude to the shareholders and stakeholders of Bank of Baroda (Uganda) Limited for reposing faith and trust in the Bank which continues to inspire the Bank to improve its performance. I would like to state that the Bank has achieved a YoY growth of 8.94% in Total Business, 10.48% in total deposits & 6.22% in Net Advances. Total Assets of the bank increased by 9.43%. Out of total advances of UGX 812.42 Bn, as on December 31, 2019, manufacturing sector constitutes 38.97% and Agriculture Sector constitutes 27.52% which has increased from 35.07% and 26.57% respectively as on December 31, 2018.

These growth parameters indicate a high level of resilience shown by the Bank in the challenging Banking / Economic environment.

ACHIEVEMENTS

I am happy to share that Bank of Baroda (Uganda) Limited continues to be recognized as one of the strongest brands in East Africa by SUPERBRANDS and has received 'Superbrands' title for the year 2019/20. Keeping in view the primacy of Agriculture in the economy, the Bank continued its focus in Agriculture sector which has yielded very good result. The Bank was conferred with "Second runner up in having highest absorption rate in terms of value of loan disbursed to Agriculture Sector as at March 2019".

HUMAN RESOURCES INITIATIVES

Bank considers Human Capital as the most important capital for its success. During last more than two years, to maintain high level of motivation and morale amongst the staff members, Bank of Baroda (Uganda) Limited has taken various HR initiatives like recruitment and promotions of staff in all cadres, conducting training programs for the staff members, employee recognition by selecting employee of the month in all branches/ offices, participation in various sports / co-curricular activities, etc. These efforts have reflected in the bank being awarded "The East Africa Best Employer Award 2019" by world HRD Congress. This acknowledges the quality of the employee engagement program of the Bank.

WAY FORWARD

Bank of Baroda (Uganda) Limited. as a subsidiary has a very special place in the overseas presence of Bank of Baroda. Bank of Baroda (Uganda) Limited is strategically positioned for the future by embracing the latest technology and leveraging it to sustain its business model. Bank's efforts are directed towards empowering the people with better financial solutions for long term sustainability & growth. Bank has embarked upon the following strategies for long term Business Growth:

1. To nurture value-based relationship banking with enhanced customer service and innovative product development
2. Strengthening Risk Management System.
3. Major thrust on core sectors like Manufacturing, Agriculture, Services & Infrastructure.
4. Availability of technology-driven banking solutions for all.
5. In order to leverage the technology further, Bank is going to replace ATMs with Cash Recycler machines in different parts of the country, which will help customer in depositing their money 24/7.

Acknowledgement

I sincerely place on record my gratitude to the Government of Republic of Uganda and Bank of Uganda for their valuable guidance, advice and continued support. In any organization, it is the contribution of each and every individual that takes the organization from being good to great. I acknowledge the dedication and contribution of every staff member and look forward to wholehearted support in the future too, as it is only with the team effort that the Bank can grow bigger and better.

My good wishes to each one of you.

Yours sincerely,

(Sanjiv Chadha)
MD & CEO, Bank of Baroda

CHAIRPERSON'S STATEMENT

Dear Shareholders,

It is my honour to welcome you all to the 50th Annual General Meeting of the Bank which has entered into the 67th year of excellence and uninterrupted service to this Country. I have great pleasure to report the financial results of the Bank for the financial year ending December 31, 2019.

The Ugandan economy is showing a positive outlook and continues to register impressive recovery and long term sustainability of the development strategies. The Government spending is witnessing a balance between infrastructure needs and supporting social sectors such as health and education that is leading to further expansion and growth of the economy.

I am happy to state that the Bank has achieved a YoY growth of 8.94% in Total Business, 10.48% in Total Deposit and 6.22% in Net Advances. Out of total advances of Ush 812.42 Billion, as on December 31, 2019, the manufacturing sector constitutes 38.97% and the agriculture sector constitutes 27.52%, which has increased from 35.07% and 26.57% respectively from December 31, 2018.The contribution of the Bank towards manufacturing and agriculture sectors are in line with the BUBU policy of the Government of Uganda.The Bank has always believed in rendering the highest quality of service, customer care and operational excellence. The Bank operates on a robust technology platform and provides various services through different technology based alternate delivery channels viz. Mobile Banking, Internet banking, etc.

The Bank is committed to good corporate governance and has complied with all the applicable laws and regulations. The Bank has also extended its commitment to be part of the development of the society through its corporate social responsibility activities like provision of scholastic materials in schools, supporting education of needy children, sponsoring Ugandan children for heart surgery in India, undertaken blood donation drive, and tree plantation etc.

On behalf of the Board of Directors, Management and Staff of the Bank I express my deep gratitude and sincere thanks to the Government, all officials of the Bank of Uganda, and Government departments for their guidance and support in strengthening the operations of the Bank.

I place on record appreciation for the continued support received from all our valued shareholders and customers without whom the Bank would not have been able to achieve the appreciable results.

I thank all the staff members at various levels in the Bank for the commendable work done during the year and I am confident that the same zeal and enthusiasm will continue to take the Bank to further glories in coming years.

The Bank of Baroda (Uganda) Limited rededicates its commitment to all its customers for rendering the highest standard of services and also for enhancing the stakeholders' value in coming years.

Yours truly,

Mrs. Vastina Rukimirana Nsanze
Chairperson

MANAGING DIRECTOR'S STATEMENT

Dear Shareholders,

It's my pleasure to welcome you to the 50th Annual General Meeting of Bank of Baroda (Uganda) Limited It is a matter of great honor and pride for me that I am presenting financials in 50th Annual General Meeting which is indeed very special for all of us. Our Bank has completed 50 Years as subsidiary of Bank of Baroda India this year. This is one of the biggest milestone Bank of Baroda (Uganda) Limited has achieved. We are one of the oldest bank in the country.

As we embark the current year in Uganda, the Bank as a whole has made a strong foothold with solid foundation, excellent industry position and opportunities for growth. Our strategy is clear, transparent and well understood. This focused strategies and diversified business model makes this Bank a unique among our competitors and create a long term value for our shareholders. We are proud of our successful track record of balancing the interests of our stakeholders including shareholders, customers, employees and the communities in which we live and work.

Year 2019 was a productive year for the Bank despite a highly challenging and competitive business environment. Our stock performance has been remarkably good with the price being very stable as compared to other peers in the industry. Let me share with you the key financial highlights of your bank for the financial year ended December 31, 2019:

- Total Deposits increased by USh 136.41 billion, showing a growth of 10.48% over the previous year, an increase from USh 1302.17 billion as on December 2018 to USh 1438.58 billion as on December 2019.
- Advances net of impairment increased by USh 47.08 billion showing a growth of 6.22% in 2019 to USh 804.27 billion from USh 757.18 billion.
- Total Business i.e. deposit + Advances increased by USh 184.72 billion showing a growth of 8.94% over the previous year. In absolute terms the total business grew from USh 2066.27 billion to USh 2250.99 Billion.
- Total income increased by 2.17% to USh 199.84 billion in 2019 from USh 195.59 billion in 2018.
- Total Assets increased by 9.43% in 2019, to USh 1875.45 billion from USh 1713.85 billion in 2018.
- Gross NPA as a percentage to total Advances was at 1.25% as on December 2019.
- Return on Assets was at 2.54% as at 31.12.2019.
- Return on Shareholders' Equity was at 11.90% as at 31.12.2019.
- Capitals Adequacy Ratio as at December 31, 2019 is 30.63%-Tier I and 32.06% - Total Capital.

These figures are testimony of customer confidence in the Bank. Our clear focus on the strategy and dedication of our employees were critical to delivering strong performance.

We aim to expand our footprints in the emerging markets by leveraging our strong position in the existing markets within the country. In order to leverage the technology further, the Bank is going to replace ATMs with Cash Recycler machines in different parts of the country which will provide 24/7 cash deposit facility to our esteemed clients. Bank constantly strive to adopt the latest technology in order to improve operational excellence, increase efficiency and create competitive advantage.

2019 was an important milestone on our path as the Bank was adjudged one of the best Brands in East Africa by Superbrands for the fourth consecutive time. This year Bank was conferred with one more award "The East Africa Best Employer Brand Award 2019" by world HRD Congress. The Bank was conferred with "Second runner up in having highest absorption rate in terms of value of loan disbursed to Agriculture Sector as at March 2019".

Your Bank has a great foundation to continue to build a long term relationship. We have a strong culture; a shared pride in our performance and a successful history. I place on record my sincere thanks to all our shareholders. I also would like to place my sincere thanks to all our customers for patronizing us and giving us the opportunity to serve them.

I take this opportunity to place my sincere thanks and gratitude to the Government of the Republic of Uganda and Bank of Uganda-the Central Bank for their valuable guidance and continued support in strengthening the operations of the Bank. I express my deepest gratitude to all our esteemed shareholders and customers for their continuous support and patronage.

I extend my good wishes to each one of you.

Yours sincerely,

mns

Raj Kumar Meena
Managing Director

BOARD OF DIRECTORS AS ON AUGUST 20, 2020

Mrs. Vastina Rukimirana Nsanze
Chairperson

Mr. Raj Kumar Meena
Managing Director

Mr. Shantil Lal Jain
Director

Mr. Manoj Kr. Bakshi
Executive Director

Dr. M.K. Chari
Director

Mr. Sempijja Thadeus
Director

Dr. Fred Kakongoro Muhumuza
Director

Mr. Odoch Charles Langoya
Director

KNOW YOUR BANK

History

Bank of Baroda (Uganda) Limited started its operations in Uganda and opened Kampala (Main) branch on December 18,1953. The Bank was incorporated as a subsidiary of Bank of Baroda, India on November 1, 1969 with 49% shareholding of Government of Uganda. Subsequently Bank of Baroda – India took over 49% shareholding of Government of Uganda on June 7, 1999 to comply with the privatization programme of Government of Uganda for which the Bank had signed an agreement with Government of Uganda for divestment of 20 % of its shares to general public. In the year 2002 in compliance of Government of Uganda guidelines, 20% of the shares were divested to the general public in Uganda. Bank of Baroda (Uganda) Limited is the first Bank in this country to be listed on the Uganda Securities Exchange.

Issuance of Bonus Shares

Bank of Uganda, vide Circular No. GOV.122.10 dated December 10, 2010, advised all the Commercial Banks to build up its minimum paid up capital unimpaired by losses to USh 10 billion by March 1, 2011 and up to USh 25 Billion by March 1, 2013. This change in the minimum capital was necessitated by the Financial Institutions (Revision in Minimum Capital Requirement) Act 2010.

Accordingly the Authorized Share Capital of the Bank was increased from USh 4 Billion to USh 25 Billion. The Paid-up Share Capital was increased from USh 4 Billion to USh 10 Billion by issuing Bonus Shares in the ratio of 1.5 equity shares for every one equity share held by a shareholder. The same was done by capitalizing USh 6 Billion from the Retained Profits as on February 28, 2011. Dividend was paid on these Bonus Shares also.

Again in the year 2013, the Capital was increased from USh 10 Billion to USh 25 Billion by issuing Bonus Shares in the ratio of 1.5 equity shares for every share held by a shareholder as approved by shareholders in the Annual General Meeting held on June 2, 2012. dividend was paid on these Bonus Shares also.

Branch / ATM Network

Presently the Bank has 36 outlets comprising of 16 branches and 20 ATMs. All 16 branches are having on site ATMs. Kampala Main Branch has two on site ATMs. In addition to this Bank has 3 offsite ATMs – one each at Oasis Mall - Kampala, Susie House - Kabalagala and Industrial Area Njeru. Thus in all there are 36 outlets consisting of 16 branches and 20 ATMs. Alternate delivery channels like Visa enabled Debit cards, ATMs and Internet Banking allow our customers to have 24 x 7 x 365 days hassle free banking services.

Systems & Procedures

- All the ATMs are supported by MTN back up lease lines with V-SAT backup leading to substantial reduction in down time.
- Our all branches are now equipped with V-SAT Backup links.
- The Bank has in place state-of-the-art technology Core Banking Solution (CBS) – 'Finacle' which is flawless system ensuring real time reconciliation of settlement leading to consistent quality of transaction data and reporting.
- Deal Tracker system is functional in the Treasury department complying with the guidelines of Bank of Uganda.
- Cash recycles are being installed at various branches/ATMs which will enable cash deposits & cash withdrawal 24 x 7 x 365 days of Treasury Bills / Bonds is installed at the Treasury Department.
- Our Debit Cards and ATMs are VISA affiliated.

KNOW YOUR BANK (continued)

Risk Management Systems

The business of banking always carries attendant risks like Credit Risk, Interest Rate Risk, Foreign Exchange Risk, Operational Risk etc. Bank has since adopted time tested methods in order to minimize and mitigate the various risk factors. The major customer centric risk mitigating measures adopted by the Bank are:-

- 24 Hours CCTV coverage at all the branches.
- Full time armed security personnel are deployed at all the branches.
- System generated Cash Receipt printouts are being generated by Finacle System for all cash deposits.
- Well laid down Business Continuity Plan – with time tested mock drill exercises adopted.
- Robust Risk Based Internal Audit process coupled with monthly/bi-monthly concurrent audit and yearly System & Operations audit.
- Stress Testing in areas of Credit and Market risks are being carried out on regular intervals.
- The Bank has a credible Core Banking System (CBS – Finacle). This is a Transaction system based on Maker – Checker / Four Eye Principle concept thereby mitigating the risks of frauds to a large extent.
- In country Data centre and DRS installed during 2016. DR site is located at Jinja and Main Data centre is located at Kampala.

The focus of the Bank is on identifying, measuring, monitoring and taking steps for mitigation of various risks. While the risks cannot be fully eliminated, the Bank endeavours to minimize the same to a large extent by ensuring that appropriate infrastructure, controls and systems are in place.

Human Asset

We believe that our Human Resources are the biggest differentiator having a direct & significant impact on Bank's overall performance. Therefore, Bank takes due care in continuous up-skilling of staff members through in-house and external trainings and also for keeping them in high state of morale. Bank follows a policy of employing Ugandans among its staff.

- The total staff strength of our Bank as on 31.12.2019 is 208 consisting of 182 local staff and 26 expatriates.
- Bank recruited -41-new staffs ie -3- Directly Recruited Officers (DRO), -6- Directly Recruited supervisors (DRS), -29- Banking Assistants and -3- drivers/ Office Assistants.
- Promoted staff to various cadres i.e. to Clerical cadre, Supervisor cadre and Officer cadre.
- Management recognizes Birthday Anniversaries of staff members to instil sense of belongingness.
- The scheme for "Employee of the Month" is well institutionalized to boost the morale of employees through recognition at our all Branches & Head Office and the best employee is given a special Badge and Rolling Trophy to be kept for the entire month and the names & photograph are also displayed on the notice board.
- Our Bank deputes its staff for overseas training. During the year 2019 we deputed - 2 -staff members to India to attend the Gujarat Summit. The event organized by the Gujarat Community with the intension

KNOW YOUR BANK (continued)

Human Assets (continued)

of promoting and understanding culture diversity between Africa and India. Two Customers were also selected to attend the same.

- We have state of the art Training Centre located at Head Office – Kampala wherein extensive in-house training programmes are conducted by senior management staff and external faculty. During the year 2019, we conducted -23- in-house training programmes attended by -481- participants, out of which, -3- training programmes were conducted by Apex Academy, Gandhinagar, India through Video Conferencing whereby -19- participants benefited from such training.

Cake cutting ceremony on the occasion of 111th Foundation Day of Parent Bank, Bank of Baroda, India at Mukono Branch

- During the year 2019, we also deputed -40- staff members to -26- external training programmes conducted by The Uganda Institute of Banking and Financial Services, Bank of Uganda, Uganda Bankers Association, Financial Intelligence Authority, ACI Uganda & Front clear National Information Technology Authority, Uganda Registration Service Bureau, A.T.I Uganda, Federation of Uganda Employers, Uganda Law Society, M/s Agriculture & Finance Consultants (AFC); GmbH and M/s Friends Consult and Uganda Registration Service Bureau

- Staff meetings are held on regular basis wherein suggestions are obtained from staff members on business development and discussed besides other issues including staff grievances for which, solutions are arrived at.

- A Town Hall Meeting is held on annual basis which was held in July 6, 2019 ans was well attended by the staff along with their family members enabling further bonding among all the staff including their families.

- During the year 2019, our staff members participated in the Workers' Marathon for raising funds to empower mothers with disabled children and for the disabled mothers. Our staff members also participated in the Charity Walk Organized by Indian Women's Association to facilitate better medical assistance to Cancer Patients in Uganda and refurbishments of KCCA schools.

Corporate Social Responsibility

Bank of Baroda (Uganda) Limited in its own humble way tries to touch many aspects of community care by contributing towards various social causes and helping the needy and underprivileged persons. It is a way to give back to the society by supporting the efforts of the Government.

KNOW YOUR BANK (continued)

Corporate Social Responsibility (continued)

Board Members, Company Secretary & Auditor at 49th Annual General Meeting

During the year 2019, the Bank made donations aggregating USh 32.77 million for various social causes, major ones are listed below.

1. Financial support to meritorious students of the Universities.
2. Donation to needy and underprivileged members of the society by sponsoring for Holi Celebration organized by Rajasthani Association in conjunction with Indian Association.
3. Donation for Heart Surgery of Ugandan Children in India through Indian Association.
4. Free Eye Sight saving Eye Camp organized at Jinja in conjunction with Lions Club of Jinja.
5. Health Camp organized at Mukono.
6. Plantation of -1300- Tree Saplings in conjunction with National Forestry Authority Uganda at Mpigi Town.
7. Financial suport rendered to mark international Labour Day celebration on May 1, 2019 to Uganda Scientists, Researchers and Allied works' Union (USRAWU).
8. Financial suport for development of Kampala Road, Police sataion.

9 Financial Suport to Holy Cross Family Ministries.

10 Donation of 3 water tranks to Bat Valley Primary School.

KNOW YOUR BANK (continued)

Corporate Social Responsibility (continued)

Blood Donation Camp Organised by the Bank

Donation of Water tanks to Bate Valley School

Tree Plantation Camp

Sight saving camp Jinja

PRODUCTS & SERVICES OFFERED BY THE BANK

The Bank is offering its customers – both Individual and Corporate, varied products and services which cater to their need for savings as well as loans. The products and services offered by the bank are general as well as customized products to suit the specific needs of the customers The debit cards & ATMs are VISA affiliated.

Products / Services Offered to Individuals (Retail Products)

An individual, trust, registered societies can open a Savings Bank Account to route salary, earnings and to save for future. A facility of Recurring Deposit is also available to enable an individual/trust/society etc. to save at regular frequency and get a lump sum amount in future.

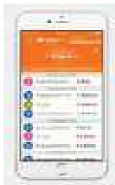
Deposit Products

Host of options available under Savings Bank Account:

- Classic Savings Bank Account (Min. Initial Deposit Ugx.20,000)
- Priority Savings Bank Account (Min. Initial Deposit Ugx.100,000) with freebies.
- Privilege Savings Bank Account (Min. Initial Deposit Ugx.500,000)with freebies
- Dollar Currency Savings Bank Account (Min. Initial Deposit USD/Euro/GBP 100/-)

The Bank also offers Fixed Deposits to its customers. The different products are:

1. Fixed Deposits for different tenures starting from 3 months to 36 months
2. Baroda Flexi Recurring Deposit from 12 months to 36 months



mPassbook

View your account statement on your mobile using mPassbook Application

mConnect + UG

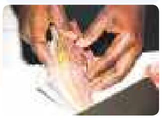
Do your banking transactions on the click of your mobile using mConnect + UG Application (Mobile Banking)

Baroda Connect

Transaction based internet banking facility for anywhere/anytime banking

Retail Loan Products

1. Baroda education loan Scheme for financing children education

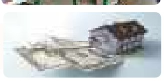


2. Baroda Salary loan Scheme for salaried employees to meet consumption needs and for purchase of consumer durables.

3. Baroda Housing loan for purchase of house / flat

4. Baroda Asset Finance – loans for purchase of cars, vehicles, machinery

5. Baroda traders loans–Financing of working capital for business / development of business for individuals/firms etc



6. Loan Against Future Rent Receivables (in Ush & USD)

PRODUCTS & SERVICES OFFERED BY THE BANK (Continued)

Products & Services offered by the Bank (Continued)

Other Retail Loan Products:

1. Baroda Multipurpose loan for individual for different consumption or household needs
2. Baroda loan against own Deposits
3. Baroda IPO Finance - financing to subscribe for Initial Public Offer of Blue Chip companies
4. Baroda Business loans to finance small businesses of individuals/firms

Products / Services Offered to Businesses / Corporate – Small / Medium and Large

Bank offers different products / services to cater to the needs of businesses of individuals or corporate bodies. These products are designed to cater to the needs of various business units which can be a small, medium or a large unit. The products range from overdrafts to finance working capital for the businesses and term loans to finance acquisition of assets for business. The tenure of finance depends on the business requirement.

Products like Baroda Asset Finance can be availed for financing assets / plant and machinery for different businesses especially the Small & Medium Enterprises (SME). Baroda traders loan will also be useful to the SME units and the Small and Micro Enterprises. Customers can also avail letters of Credit and Bid/Performance/ Financial/ Advance payment/Guarantees for their business needs

The Bank offers various other services to its customers for Remittance of funds through RTGS or EFT

1. Rapid Funds 2 India
2. SWIFT for international remittances
3. Foreign exchange services to buy and sell foreign currencies
4. Acceptance of School fees
5. Collection of various Taxes/Payments

ELECTRICITY BILLS	EMPLOYEE CONTRIBUTION
UMEME Powering Uganda	NSSF a better future.
WATER PAYMENT	**URA TAXES**
NWSC	URA Uganda Revenue Authority DEVELOPING UGANDA TOGETHER

Other Information

Shareholding pattern as on December 31, 2019

Particulars	Number of Shares	%	Amt in USh
Bank of Baroda India	1,999,998,750	80%	19,999,987,500
Managing Director	1,250		12,500
Public Holding	500,000,000	20%	5,000,000,000
TOTAL	2,500,000,000	100%	25,000,000,000

Top Shareholders as on December 31, 2019

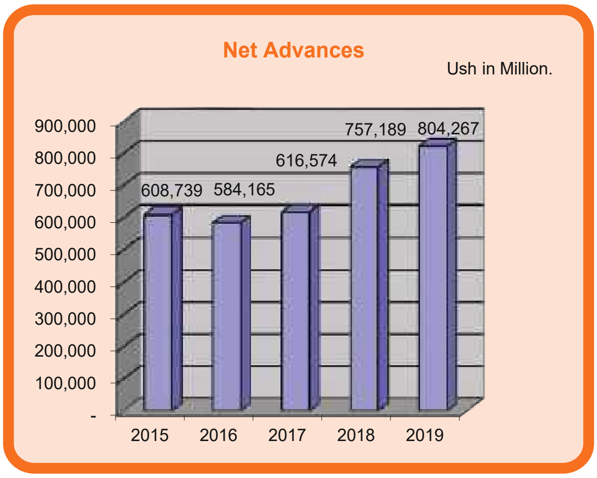
Sr.	Shareholders	No. of Shares	%
1	Bank of Baroda India	1,999,998,750	79.99
2	Mr. Sudhir Ruparelia	62,527,250	2.50
3	Dfcu Bank Limited	62,500,000	2.50
4	National Social Security Fund	49,956,250	2.00
5	King Ceasor Augustus Mulenga	45,563,703	1.82
6	Maheshway PurUShottam	25,000,000	1.00
7	Dr. Joseph Byambara Byamugisha	15,625,000	0.63
8	Parliamentary Pension Scheme- Stanltd	13,895,738	0.56
9	Bank of Uganda Defined Benefit Scheme - Sanlam	10,256,471	0.41
10	Parliamentary Pension Scheme - Genafrica	9,263,825	0.37

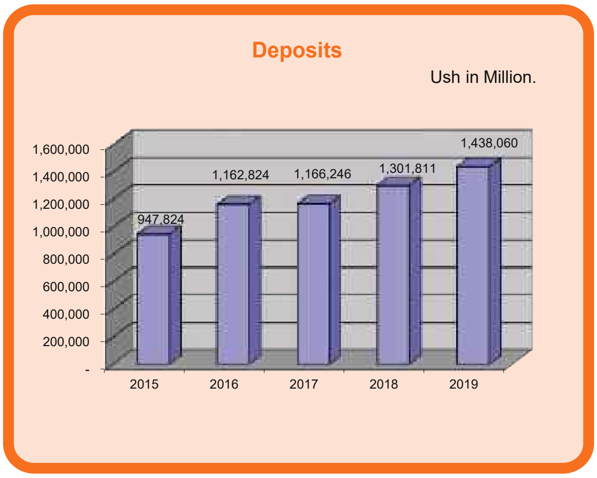
Consolidated Financial Performance for the last 5 years

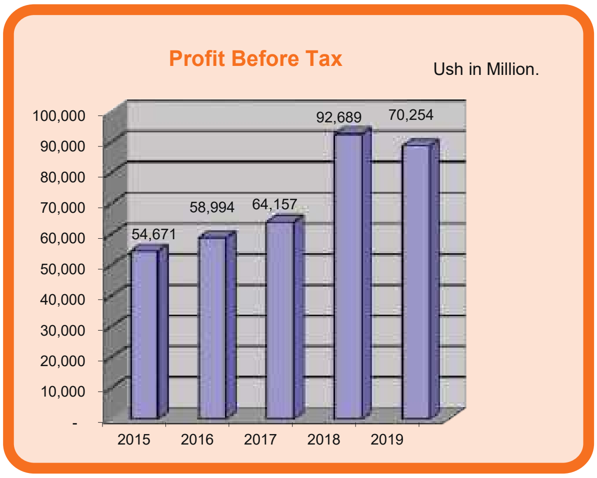
	2015	2016	2017	2018	2019
	USh 000	USh 000	USh 000	USh 000	USh 000
Capital	25,000	25,000	25,000	25,000	25,000
Reserves	196,295	252,487	305,465	349,731	369,896
Deposits	947,824	1,162,624	1,166,246	1,301,811	1,438,060
Advances (Gross)	619,961	607,807	639,114	764,105	812,417
Total Business*	1,567,785	1,770,631	1,805,360	2,065,916	2,250,477
Investments	267,329	474,5887	500,406	508,317	538,151
Profit for the year	41,204	49,247	49,406	73,483	45,362
Basic / Diluted Earnings per Share (USh)	16.48	19.70	19.76	32.80	20.25
Dividend per share (USh)	2.50	2.50	7.50	10.00	0

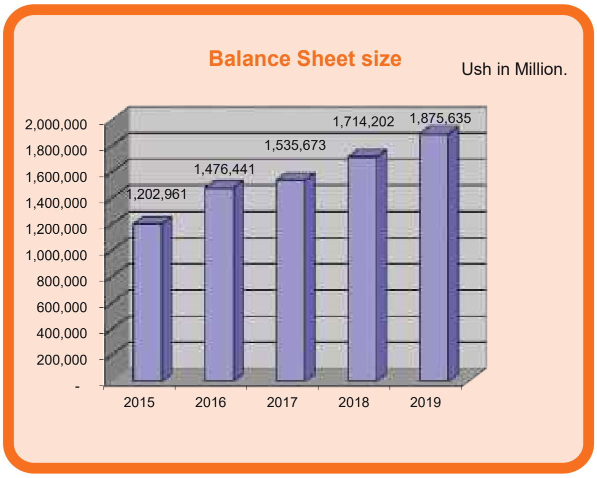
* Advances + Deposit

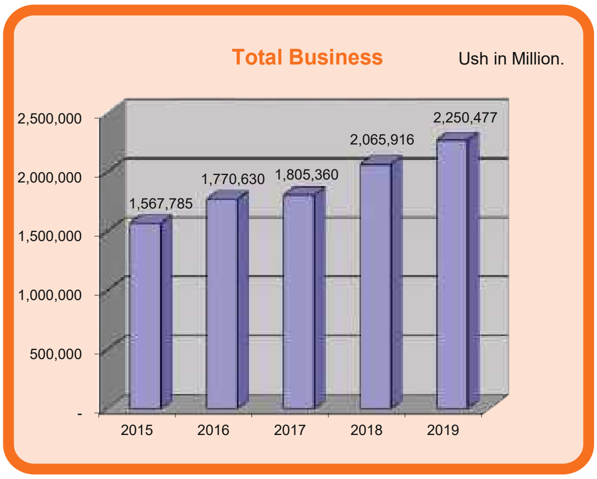
Growth at a glance

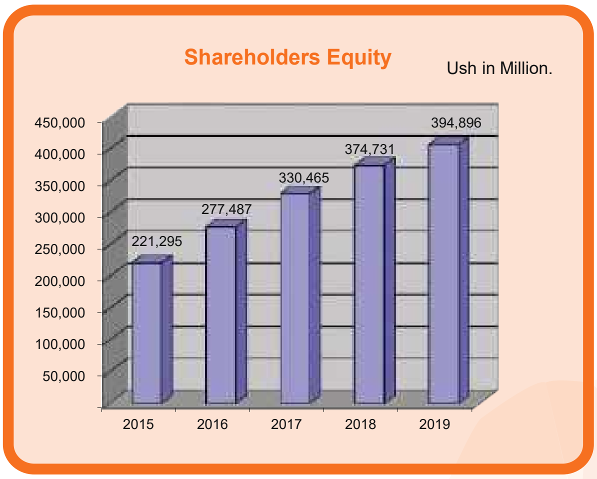












Subsidiary

Baroda Capital Markets (U) Limited is a fully owned subsidiary of the Bank. It was incorporated on 23rd of April 1997 to carry out the business of brokers / dealers in the Capital Market. The subsidiary is a Licensed Dealing Member (LDM) with the Uganda Securities Exchange and operates under license issued by Capital Markets Authority, Uganda. Baroda Capital Markets (U) Limited is a member of the Governing Council of Uganda Securities Exchange.

The financial statements of the Baroda Capital Markets (U) Limited have been consolidated with that of the Bank. A brief financial information of the subsidiary is given below :

Income Statement (Ush '000)

Particulars	31. 12.2019	31.12.2018
Operating income	128,642	176,941
Operating expenses	43,415	40,309
Profit before tax	55,130	103,584
Taxation	16,539	30,450
Profit for the year	38,591	73,134

Statement of Financial Position (Ush '000)

Particulars	31.12.2019	31.12.2018
Assets		
Property and Equipment	1,520	1,757
Deposit with regulators	105,000	105,000
Deferred tax	4,493	4,465
Other financial Asset	369,095	384,060
Trade and other receivables	16,675	44,796
Cash and cash equivalents	298,476	207,568
Tax recoverable	20,836	21,120
Total Asset	**816,095**	**768,768**
Liabilities		
Trade and other payables	22,109	37,656
Amounts due to releted parties	116,043	85,279
Total Liabilities	**138,152**	**122,935**
CAPITAL EMPLOYED		
Ordinary share capital	40,000	40,000
Retained earning	653,369	614,778
Fair value reserve	(15,426)	(8,947)
Total Equity and Liabilities	**816,095**	**768,768**

The Financial Statements of Baroda Capital Markets (U) Limited have been audited by Grant Thornton Certified Public Accountants, who have issued an unqualified report.

Corporate Information as on December 31, 2019

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	COMMERCIAL BANKING ACTIVITIES	
DIRECTORS	Mrs.Vastina Rukimirana Nsanze	Chairperson*
	Mr. Ashwini Kumar	Managing Director**
	Mr. Manoj Kumar Bakshi	Executive Director**
	Mr. Shanti Lal Jain	Non-Executive Director**
	Mr. Rajneesh Sharma	Non-Executive Director**
	Mr. Sempijja Thadeus	Non-Executive Director*
	Dr. Fred Kakongoro Muhumuza	Non-Executive Director*
	Mr. Odoch Charles Langoya	Non-Executive Director*
CHIEF OFFICERS / EXECUTIVES	Mr. Ashwini Kumar	Managing Director**
	Mr. Manoj Kumar Bakshi	Executive Director**
	Mr. Wamayi Maurice	Internal Auditor*
	Ms. Nabakka Saidah	Ag. Financial Controller*
	Mr. Krishnan Ragupathy	Head Administration**
	Mr. Subhapratik Pradhan	Head Information Technology**
	Mr. Obong Silver	Head Compliance*
	Mr. Vikash Sharma	Head Treasury**
	Mrs. Victoria Ocici	Head Risk Management*
BOARD CREDIT COMMITTEE	Mr. Rajneesh Sharma	Chairperson**
	Mr. Ashwini Kumar	Managing Director**
	Mr. Manoj Kumar Bakshi	Executive Director**
	Mr. Sempijja Thadeus	Director*
BOARD AUDIT COMMITTEE	Dr. Fred Kakongoro Muhumuza	Chairperson*
	Mr. Odoch Charles Langoya	Director*
BOARD RISK MANAGEMENT COMMITTEE	Mr. Odoch Charles Langoya	Chairperson*
	Mr. Ashwini Kumar	Managing Director**
	Mr. Manoj Kumar Bakshi	Executive Director**
BOARD ASSET AND LIABILITIES COMMITTEE	Mr. Ashwini Kumar	Chairperson**
	Mr. Rajneesh Sharma	Director**
	Dr. Fred Kakongoro Muhumuza	Director*
BOARD HUMAN RESOURCE AND COMPENSATION COMMITTEE	Mr. Sempijja Thadeus	Chairperson*
	Mr. Shanti Lal Jain	Director**
	Mr. Rajneesh Sharma	Director**

*Ugandan

**Indian

Corporate Information

REGISTERED OFFICE	Bank of Baroda (Uganda) Limited Plot 18, Kampala Road, PO Box 7197 Kampala, Uganda
COMPANY SECRETARY	Ms. Anne Tumwesigye Mbonye PO Box 7197 Kampala, Uganda
INDEPENDENT AUDITOR	Grant Thornton Certified Public Accountants PO Box 7158 Kampala, Uganda
PRINCIPAL LEGAL ADVISORS	Kateera & Kagumire Advocates & Solicitors PO Box 7026 Kampala, Uganda
PRINCIPAL CORRESPONDENT BANKS	Bank of Baroda, Mumbai Main Office, Vostro A/c Cell, 2nd Floor, Mumbai Samachar Marg, Mumbai - 400023 Standard Chartered Bank, 3, Madison Avenue # 1, New York, United States of America
PARENT BANK	Bank of Baroda Baroda Corporate Center C26, G-Block, Bandra - Kurla Complex Bandra East, Mumbai - 400 051 incorporated in India
SUBSIDIARY	Baroda Capital Markets (Uganda) Limited PO Box 7197, Luwum Street Kampala, Uganda

Corporate Information

HEAD OFFICE

PO Box 7197,
Plot 18, Kampala Road
Kampala, Uganda

BRANCHES

Kampala
PO Box 7197,
Plot 18
Kampala Road
Kampala, Uganda

Iganga
PO Box 61
84A & 84B Main Street
Iganga, Uganda

Ovino Market
Plot 24,26 & 28
Shikh Temple
Rahid Khamis road, Old Kampala
Kampala, Uganda

Railway Station
Plot No.2/2B,
PO Box 7266,
Kampala Road,
Kampala, Uganda

Kansanga
Plot No. 70 / 378
PO Box 7467,
3, KM Gaba Road,
Kansanga
Kampala, Uganda

Kabale
Plot No.94, Kabale Main Road
PO Box 1137,
Kabale, Uganda

Jinja
Plot 16A/B Iganga Road,
PO Box 1102
Jinja, Uganda

Kawempe
Plot No. 35/36
PO Box 7820
Bombo Road
Kawempe
Kampala, Uganda

Entebbe
Plot No. 24, Gower Road,
PO Box 589,
Entebbe, Uganda

Mbale
3, Pallisa Road
PO Box 971
Mbale, Uganda

Lira
Plot No 2, Aputi Road
PO Box 266
Lira, Uganda

Industrial Area
Plot 37,39,41 & 43
PO Box 73446
Kibira Road
Kampala, Uganda

Mbarara
11 Masaka Road
PO Box 1517
Mbarara, Uganda

Mukono
Plot No 59-67, Jinja Road
PO Box 122
Mukono, Uganda

Kololo
Plot -31, Kira Road,
Kampala, Uganda

Lugazi
SCOUL Sec. School Premises
Jinja Road, Lugazi Circle
Lugazi, Uganda

Corporate Governance Statement

This Corporate Governance statement sets out the governance framework adopted by the Board of Bank of Baroda (Uganda) Limited (“the Bank”) and its subsidiary, Baroda Capital Markets (U) Limited (collectively referred to as “the Group”).

The Group is committed to adhering to the highest standards of good corporate governance at all levels of its operations. This commitment is rooted in our core values and beliefs. We have put in place elaborate governance processes which comply with industry best practices.

In the year under review, the Group complied with all applicable laws, rules, regulations and guidelines on corporate governance.

The Group’s governance framework enables the Bank’s Board to fulfill role of providing oversight and strategic counsel in balance with its responsibility to ensure conformance with regulatory requirements and risk tolerance. It also provides the parameters for delegating authority.

Code and regulations

As a licensed commercial and listed Bank on the Uganda Securities Exchange (USE), the Bank operates in a highly regulated environment and is committed to complying with legislation, regulations, and codes of best practice.

Complying with all applicable legislation, regulations, standards and codes is integral to the Bank’s culture. The Board delegates responsibility for compliance to management and monitors this through the compliance function. Oversight of compliance risk management is delegated to the Audit Committee, which annually reviews and approves the compliance plan.On a quarterly basis, the Audit Committee receives reports from the Compliance function on, among other things, the status of compliance risk management in the Bank and significant areas of non-compliance. On a quarterly basis, the Audit Committee also reviews the significant interactions and correspondences with the Regulator. The compliance function and governance standards are subject to review by internal audit.

Whilst the Bank continues to nurture a strong culture of governance and responsible risk management in line with risk appetite and governance framework, it is constantly monitoring its practices to ensure that they are best fit for it and serve to enhance business and community objectives.

Board of Directors

Board charter and work plan

The Board’s responsibilities are set out in the Board Charter. The Board Charter contains provisions which ensure that the Board observes best practice in corporate governance and contains among other things policies on: the size, role and functions of the Board; appointments and induction of Directors; board performance evaluation; and remuneration of Directors.

The work plan has a formal schedule of matters specifically reserved for the Board’s attention to ensure it exercises full control over all significant matters. It sets out the schedule of meetings of the Board and its committees and the main business to be dealt with at those meetings. Additional meetings are scheduled as and when necessary.

Board composition and appointments

The Board currently consists of:

- Chairperson 1
- Executive Directors 2
- Non-Executive Directors 5

Corporate Governance Statement

The Non-Executive Directors are drawn from a wide range of business and other backgrounds. This diversity is considered by the members as one of the strengths of the Board.

The Board takes cognisance of the knowledge, skills and experience of prospective Directors as well as other attributes considered necessary for the role and as such there is a formal process of appointment of Directors. The appointment of Directors is governed by the Bank's articles of associations and is subject to regulatory approval (i.e fit and proper test) as required by the Financial Institutions Act, 2004, and as amended.

The Board evaluates the performance of the management in order to be satisfied as to the integrity and strength of financial information, controls and risk management. Through its Board Human Resources Committee, the Board exercises oversight in appointing, removing and succession planning of senior management.

All Directors receive regular and timely information about the Bank prior to Board meetings. They also have access to the Company Secretary for any further information they may require. Directors have unrestricted access to management and the Bank information as well as resources required to carry out their roles and responsibilities.

Board meetings

The full Board meets at least four times a year. The Board deals with all significant matters including strategic direction for the Bank and Group; ensuring competent management of the business; internal control; compliance with laws and regulations and reporting performance to shareholders.

Attendance at meetings

The attendance of members at Board meetings during 2019 is detailed below:

Name of Director	Q1	Q2	Q3	Q4
Mrs. Vastina Rukimirana Nsanze	A	A	A	A
Mr. Ashwini Kumar	A	A	A	A
Mr. Rajneesh Sharma	A	A	A	A
Mr. Sempijja Thadeus	A	A	A	A
Mr. Manoj Kumar Bakshi	A	A	A	A
Dr. Fred Kakongoro Muhumuza	A	A	A	A
Mr. Odoch Charles Langoya	A	AP	A	A
Mr. Shanti Lal Jain	N/M	N/M	A	A

A - Attendance; AP - Apology; N/A - Not Applicable; N/M - Not Member

Corporate Governance Statement

Separation of roles and responsibilities

The roles of the Chairman and Managing Director are separate. The Chairman's main responsibility is to lead and manage the work of the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Board has delegated the responsibility for the day-to-day management of the Bank to the Managing Director, who is responsible for recommending strategy to the Board, and for making and implementing operational decisions.

The Board has a collective responsibility for the success of the Bank and Group. However, the Executive Directors have direct responsibility for business operations, whereas Non Executive Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Management, providing objective challenges to the management.

Committees of the Board

In order for the Board to carry out its functions, and to ensure independent oversight of internal control and risk management, certain aspects of its role are delegated to Board Committees. The specific matters for which delegated authority has been given are set out in each Board Committee's terms of reference, which are reviewed as and when required.

The Board had delegated authority to five principal Board Committees:

- Board Audit Committee
- Board Credit Committee
- Board Risk Committee
- Board Assets and Liabilities Committee
- Board Human Resources and Compensation committee

These committees meet at least on a quarterly basis or on adhoc whenever there are urgent matters to attend to.

In addition, the Executive Committee, comprising the Managing Director and his Senior Management meet on a monthly basis.Its main function is to implement and monitor the Bank's strategy, operational plans and financial performance. It is also responsible for the assessment and management of risk.

Board Audit Committee

This Committee is constituted in accordance with the Financial Institutions Act, 2004, and as amended which requires the Board to appoint at least two Non-Executive Directors to the Committee. As per the law, the Board has appointed the members of the committee which is comprised solely of independent Non-Executive Directors.

The role of this Committee is to assess the integrity and effectiveness of accounting, financial compliance and control systems.The committee has a constructive relationship with Internal Audit, who has access to the committee members as required.

The Committee also ensures effective communication between the internal auditors, external auditors, the Board, management and regulators. The committee considers reports from internal audit on any weaknesses in controls that have been identified, including financial controls, and considers corrective actions to be implemented by management to prevent such incidences recurring. This takes place on an ongoing basis.

The Audit Committee has complied with its mandate in the year under review, as well as its responsibilities. Four scheduled meetings were held.

Name of Director	Q1	Q2	Q3	Q4
Dr. Fred Kakongoro Muhumuza	A	A	A	A
Mr. Odoch Charles Langoya	A	A	A	A

A - Attendance; AP - Apology; N/A - Not Applicable; N/M - Not Member

Corporate Governance Statement

Board Credit Committee

The role of this committee is to ensure that effective frameworks for credit governance are in place in the Bank. This involves ensuring that the Management Credit Committee and the credit function operate according to clearly defined mandates and delegated authority, and providing for the adequate management, measurement, monitoring and control of credit risk. The Committee reports to the Board on credit portfolios, adequacy of provisions and status of non-performing loans. Further detail on the management of credit risk is set out in the Note 4.

The Committee's composition includes both Executive Directors and Non-Executive Directors. The Credit Committee complied with its mandate for the year under review. Four scheduled meetings were held.

Name of Director	Q1	Q2	Q3	Q4
Mr. Rajneesh Sharma	A	A	A	A
Mr. Ashwini Kumar	A	A	A	A
Mr. Manoj Kumar Bakshi	A	A	A	A
Mr. Sempijja Thadeus	A	A	A	A

A - Attendance; AP - Apology; N/A - Not Applicable; N/M - Not Member

Board Human Resources and Compensation Committee

The purpose of this committee is to attend to human capital and administrative matters within the Bank. The committee oversees the admistrative matters affecting the Bank as well as the welfare, talent and skill development, and other human capital matters. In addition to that, the purpose of this committee is to provide oversight on the compensation of Staff (including key personnel) and ensure that the compensation is consistent with the Bank's objectives and strategy. Furthermore, the committee performs other duties related to the Bank's compensation structure in accordance with applicable laws, rules, policies and regulations.

The committee comprises of both Executive and Non-Executive Directors. No individual, irrespective of position, is present when his or her remuneration is discussed. The committee complied with its mandate for the year under review. Four scheduled meetings were held.

Name of Director	Q1	Q2	Q3	Q4
Mr. Sempijja Thadeus	A	A	A	A
Mr. Shanti Lal Jain	N/M	N/M	A	A
Mr. Rajneesh Sharma	A	A	A	A
Mr. Manoj Kumar Bakshi	A	A	N/A	N/A

A - Attendance; AP - Apology; N/A - Not Applicable; N/M - Not Member

Corporate Governance Statement

Board Risk Committee

The Board is ultimately responsible for risk management. The main purpose of the committee is to provide independent and objective oversight of risk management within the Bank. A number of management committees help the committee to fulfil its mandate, the main one of these being the risk management committee. To achieve oversight, the committee reviews and assesses the integrity of risk control systems and ensures that risk policies and strategies are managed effectively and contribute to a culture of discipline and control that reduces the opportunity of fraud. Assurance on the effectiveness of the risk management processes is provided to the committee through management reporting.

The committee's composition includes Executive and Non-Executive Directors. The committee complied with its mandate for the year under review. Four scheduled meetings were held.

Name of Director	Q1	Q2	Q3	Q4
Mr. Odoch Charles Langoya	A	A	A	A
Mr. Ashwini Kumar	A	A	A	A
Mr. Manoj Kumar Bakshi	A	A	A	A

A - Attendance; AP - Apology; N/A - Not Applicable; N/M - Not Member

Board Assets and Liabilities Committee

The Board Asset and Liability Committee (BALCO) has been established to assist the Board of Directors by assessing the adequacy and monitoring the implementation, of the Group and the Bank's Asset and Liability Management Policy ("ALM policy") and related procedures. The ALM Policy includes specific policies and procedures relating to (i) interest rate risk, (ii) market/investment risk, (iii) liquidity risk, and (iv) capital risk. BALCO is supported by the management committe (ALCO) which reports on a quaterly basis to help the committee to fulfil its mandate, the main one of these being the asset liability management. The committee is involved in management of treasury limits, approvals of internal liquidity limits, oversight on the investment portfolio and its mix, management of foreign currency placements and deposits with correspondent Banks among others.

The committee's composition includes Executive and Non-Executive Directors. The committee complied with its mandate for the year under review. Four scheduled meetings were held.

Name of Director	Q1	Q2	Q3	Q4
Mr. Ashwini Kumar	A	A	A	A
Mr. Rajneesh Sharma	A	A	A	A
Dr. Fred Kakongoro Muhumuza	A	A	A	A

A - Attendance; AP - Apology; N/A - Not Applicable; N/M - Not Member

Company Secretary

The role of the Secretary is to ensure the Board remains cognizant of its duties and responsibilities. In addition to guiding the Board on discharging its responsibilities, the Secretary keeps the Board abreast of relevant changes in legislation and governance best practices. The Bank Secretary also oversees the induction of new Directors as well as the continuous education of Directors. To enable the Board to function effectively, all Directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as announcements, investor communications and other developments which may affect the Bank and its operations. All Directors have access to the services of the Secretary.

Corporate Governance Statement

Internal control and risk management

Internal control

The Directors are responsible for reviewing the effectiveness of the Bank's system of internal control, including internal financial control. This is designed to provide reasonable, but not absolute, assurance regarding (a) the safeguarding of assets against unauthorized use or disposition; and (b) the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal control framework

Effective corporate governance remains key to the business. The Bank continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. The effectiveness of the framework has been under regular review by the senior management.

Directors' remuneration

The remuneration of all Directors is subject to regular monitoring to ensure that levels of remuneration are appropriate. Information on the remuneration received and dealings of the Directors with the Bank are included in note 32.

Non-Executive Directors receive a fee for their service on the Board and a meeting attendance fee for Board Committee meetings. Fees are paid quarterly in arrears. There are no contractual arrangements for compensation for loss of office. Non- Executive Directors do not receive short-term incentives, nor do they participate in any long term incentives schemes. The Board Human Resource Committee reviews the fees paid to Non-Executive Directors annually and makes recommendations to the Board for consideration.

Risk management

The Bank has a structure and process to help identify, assess and manage risks. This process has been in place through out the year.

Relations with shareholders

The Board recognises the importance of good communication with all shareholders. The Annual General Meeting (AGM) as well as the published annual report is used as an opportunity to communicate with all shareholders. The Bank will give shareholders 21 days notice of the AGM as provided for in the Companies Act, 2012.

Mrs.Vastina Rukimirana Nsanze Chairperson	Mr. Ashwini Kumar Managing Director	Mr. Manoj Kumar Bakshi Executive Director

Directors' Report

The directors have pleasure in submitting their report on the annual report and consolidated and separate financial statements of Bank of Baroda (Uganda) Limited ("the Bank and its subsidiary collectively referred to as "the Group") for the year ended December 31, 2019.

1. Nature of business

The Bank is principally engaged in the business of providing Banking and other related services to the general public. There have been no material changes to the nature of the Bank's business from the prior year.

2. Key financial highlights of the Bank

- Deposits increased by 10.48% in 2019 to USh 1,438,581 million from USh 1,302,169 million in 2018.
- Advances net of impairment provisions increased by 6.22% in 2019 to USh 804,267 million from USh 757,189 million in 2018.
- Total Business (Deposits and Advances) increased by 8.94% in 2019 to USh 2,250,998 million from USh 2,066,274 million 2018.
- Total assets increased by 9.43 % in 2019 to USh 1,875,445 million from USh 1,713,853 million in 2018.
- Total income increased by 2.17% to USh 199,836 million in 2019 from USh 195,590 million in 2018.
- Net Profit after Tax decreased by 38.28% in 2019 to USh 45,313 million from USh 73,421 million in 2018.
- Gross NPA as a percentage of total advances is at 1.25% in 2019 increased from 2.15% in 2018.
- Capital Adequacy Ratio as at December 31, 2019 was 30.63% (2018 : 31.64%) - Tier I and 32.06% (2018 : 33.28%) Total Capital.
- Return on Assets was 2.54% as at December 31, 2019 (2018: 4.46%).
- Return on shareholders' equity was 11.90% as at December 31, 2019 (2018: 21.79%)

3. Share capital

Authorised			2019	2018
Ordinary shares			Number of shares	
			2,500,000,000	2,500,000,000
	2019	**2018**	**2019**	**2018**
Issued	USh '000	USh '000	Number of shares	
Ordinary shares	25,000,000	25,000,000	2,500,000,000	2,500,000,000

There have been no changes to the authorised or issued share capital during the year under review.

4. Dividends

The Board of Directors have proposed dividend of USh.10 per share to the shareholders of the Bank.

5. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in liquidity, foreign currency exchange rates and interest rates. The Group overall risk management programme focuses on the acceptable level of risk and the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. Trading limits are set for the trading book to contain losses within a prescribed amount in the event of adverse price movements.

The Group has policies in place to ensure that Banking services are availed to customers with performance and credit history.

Directors' Report

6. Directorate

The directors in office at the date of this report are as follows:

Directors	Nationality
Mrs.Vastina Rukimirana Nsanze	Ugandan
Mr. Ashwini Kumar	Indian
Mr. Manoj Kumar Bakshi	Indian
Mr. Shanti Lal Jain	Indian
Mr. Rajneesh Sharma	Indian
Mr. Sempijja Thadeus	Ugandan
Dr. Fred Kakongoro Muhumuza	Ugandan
Mr. Odoch Charles Langoya	Ugandan

7. Directors' interests in shares

As at December 31, 2019, Mr. Ashwini Kumar held ordinary shares of the Bank. However, the Director holds those shares non-beneficially on behalf of the Parent Company.

8. Directors' benefits

During the period since the last Annual General Meeting of members to the date of this report, no Director has received or become entitled to receive any benefit other than Directors' fees and amounts/allowances received under employment contracts for Executive Directors. The aggregate amount of emoluments for Directors' services rendered in the financial year is disclosed under note 32 to the financial statements. Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the Bank is a party whereby Directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

9. Capital adequacy

The Bank monitors the adequacy of its capital using ratios established by the Financial Institutions Act, 2004, and as amended. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets and off-balance sheet commitments at a weighted amount to reflect their relative risk.

Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50% and 100%) are applied. e.g. Notes, coins and other cash assets, balances held with Bank of Uganda including securities issued by the Government of Uganda and securities held with Bank of Uganda have a zero risk weighting, which means that no capital is required to support the holding of these assets. Loans and advances, property and equipment carry a 100% risk weighting. Based on the existing guidelines this means that they must be supported by capital equal to 100% of the risk weighted amount. Other asset categories have intermediate weightage.

Core capital (Tier 1) consists of paid-up share capital, retained profits less non-dealing investments. Supplementary capital (Tier 2) includes revaluation reserves on property, unencumbered general provisions and non-dealing investments.

Disclosures in respect to capital management and capital adequacy ratios are set out in Note 4.

Risk weighted amounts for loans and advances to customers are stated net of impairment losses. These balances have also been offset against fixed deposits and short term deposits placed by customers as securities. There is no borrower with either funded or non-funded facilities, exceeding twenty five percent of total capital.

Directors' Report

10. Operating and regulatory environment

The year opened with US$/USh 3,714 in the month of January 2019 and the same averaged at US$/USh 3,705 during the year and closed at US$/USh 3,665 by end of December 2019.

The Bank complied with the minimum core capital ratio and total capital ratio requirements, which are 30.63% and 32.06% as against regulatory requirement of 10% and 12% respectively.

11. Corporate governance

The Bank's Corporate Governance philosophy encompasses not only regulatory and legal requirements, but also several best practices aimed at a high level of business ethics, effective supervision and enhancement of value for all the stakeholders. The corporate governance framework is based on an effective and independent Board, the separation of the Board's supervisory role from the Executive Management and the constitution of Board Committees comprising a majority of independent Non- Executive Directors and chaired by an independent Director, to oversee all functional areas. We believe that excellence emanates from good governance, therefore, we have adopted high standard of transparency and accountability, professionalism and social responsiveness with improved customer focus to maintain a value driven organization.

12. Human resource management

The human resource management department continues to play a very important role in the ever-changing competitive scenario. The Bank's mission continues to be to convert every employee of the Bank into a knowledgeable worker to enable them cope with increased customer expectations and new areas of banking outside the traditional zone. Mainly Bank of Baroda, India and the Uganda Institute of Bankers conduct the training in addition to conferences and workshops organized by Bank of Uganda (BoU) and Federation of Uganda Employers (FUE). Furthermore, the Bank has conducted a number of inhouse training programmes in the process of empowering our staff so as to match with our standard operating procedures and any other changes affecting our industry due to globalization. The Bank has also gone through a major recruitment exercise where 3 Officers, 6 Supervisors, 29 Banking Assistants and 3 Drivers/office assistance have been recruited. A promotion exercise was also conducted and 5 staff were promoted from Supervisor to Officer Cadre, 8 Clerks (Banking Assistants) to Supervisor and 1 Non- Clerical to Clerical Cadre.

13. Information technology

With effect from February 25, 2008, the Bank installed Banking Software (Finacle) which was developed by Infosys Technologies Limited. All branches and alternative delivery channels of the Bank are connected to Finacle, the Core Banking System. Bank has implemented transaction-based internet Banking "Baroda Connect" in June 2010. The Bank also launched its website in June 2011 facilitating our customers and the public at large to have updated information about the Bank and its various products/ services. The Bank also implemented E-collection of Uganda Revenue Authority (URA) Taxes and National Water and Sewerage Corporation (NWSE) water bills from November 2011. Collection of NSSF contributions from employers since August 2012 and collection of UMEME bills since July 2013. SMS alert system for debit and credit transactions has also been implemented in year 2017. Information and Communication Technology (ICT) audit by external auditor was conducted in year 2019. Automated clearing house (ACH) for Electronic Funds Transfer (EFT) and Cheque Clearing System (CTS) implemented on April 20, 2018. VISA accreditation project for all our debit cards, ATMs and contact center went live on June 9, 2018. Mobile Banking and Mobile Passbook launched on June 9, 2018. Rapid fund transfer to India through alternate delivery channels and website re-designing went live in year 2019. Fund transfer to other Bank facility provided in internet banking. Emeeting launched for paper-less board meeting. Contactless VISA card and cardless cash withdrawal from ATM facility launched during the year. Agency banking, ASCROM in finacle projects are expected to go live in year 2020. Continued focus on leveraging technology has resulted in process efficiencies and enhanced customer convenience.

14. Events after the reporting period

The financial statements were prepared based on management estimates and judgement as at the reporting date. Subsequent to year-end, there has been a coronavirus outbreak which may have a bearing on those estimates due to change in the business environment in which the Group operates. However, due to the high level of uncertainty resulting from the coronavirus outbreak, management is not in a position to determine its impact to those estimates at this moment.

Directors' Report

15. Auditors

Grant Thornton Certified Public Accountants were appointed as statutory auditors of the Bank and its subsidiary in accordance with Section 167(1) of the Companies Act, 2012 and were duly approved by the Bank of Uganda in accordance with Section 62 of the Financial Institutions Act, 2004, and as amended.

Grant Thornton Certified Public Accountants have expressed their willingness to continue as auditors of the Bank in accordance with Section 167(2) of the Companies Act, 2012.

16. Secretary

The company secretary is Ms Anne Tumwesigye Mbonye of:

Business address:	P O Box 7197 Kampala, Uganda

17. Approval of financial statements

The annual report and consolidated and separate financial statements set out on pages 33 to 83, which have been prepared on the going concern basis were approved by the board of directors on March 27, 2020

By Order of the Board

Ms. Anne Tumwesigye Mbonye
Company Secretary

Date: March 27, 2020

Place: Kampala, Uganda

Directors' Responsibilities and Approval

The Directors are required in terms of the Companies Act, 2012 and the Financial Institutions Act, 2004, and as amended, to maintain adequate accounting records and are responsible for the content and integrity of the annual report and consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the annual report and consolidated and separate financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards.

The annual report and consolidated and separate financial statements of Bank of Baroda (Uganda) Limited are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operational risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual report and consolidated and separate financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

The annual report and consolidated and separate financial statements set out on pages 33 to 83, which have been prepared on the going concern basis, were approved by the Board of Directors on March 27, 2020 and were signed on its behalf by:

Mrs.Vastina Rukimirana Nsanze Chairperson	**Mr. Ashwini Kumar** Managing Director	**Mr. Manoj Kumar Bakshi** Executive Director

Date: March 27, 2020
Place: Kampala, Uganda

Independent Auditors' Report

To the members of Bank of Baroda (Uganda) Limited

Report on the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Bank of Baroda (Uganda) Limited ("the Bank") and its subsidiary (collectively referred to as "the Group") set out on pages 33 to 83, which comprise the Consolidated and separate statement of financial position as at December 31, 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Bank of Baroda (Uganda) Limited as at December 31, 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies Act, 2012 and the Financial Institutions Act, 2004, and as amended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Uganda. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Uganda. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter.
Allowance for impairment of loans and advances to customers The allowance for impairment of loans and advances to customers is considered to be matter of most significance as it requires the application of significant judgment and use of subjective assumptions by management. Significant judgement is required in determining the stage, probability of default, loss given default, computation of effective interest rate, credit rating or classification, cash flow projections, etc. Loans and advances to customers contributed 42.88% of total assets of the Group. The loan portfolio and characteristics of the same differ, therefore requiring adifferent approach in the assessment for specific allowance by management. The Group's loan portfolio consists of corporates and individual customers. Management monitors repayment abilities of individual customers based on the security on the date of assessment and their knowledge for any objective evidence for impairment.	Our audit procedures included understanding and testing of the design and operating effectiveness of the key controls over the following: a) Automated controls over approving, recording and monitoring of loans and advances; b) Controls around identifying impaired loans and advances; c) The governance process of loans downgrading, including the continuous re-assessment of the appropriateness of assumptions used in determining the impairment allowance. Our testing of the design and operations of the controls provided a basis for us to continue with the planned nature, timing and extent of our detailed audit procedures. Our procedures to assess management's provision for specific allowances, in response to the risks specific to the business units included the following: a) We obtained an understanding of the Group's credit policy and evaluated the processes for identifying impairment

Independent Auditors' Report

Key audit matter	
	indicators and consequently, the grading of loans for compliance on the classification; b) We selected a sample of loans considering the total exposure, risks, industry trends, etc. For selected samples, we have verified the total exposure, value of security financial performance and banking of borrowers during the year; c) We assessed management's forecast of recoverable cash flows, valuation of collaterals, estimates of recovery on default and other sources of repayment. We evaluated the consistency of key assumptions applied, benchmarking these to our own understanding of the relevant industries and business environments, to assess the validity of the collateral valuations. We re-computed management's calculation of the specific allowances to check the accuracy of data captured in the ECL model; d) We re-computed management's calculation to assess that the Group maintained general allowances on total credit exposure net of collateral and specific allowances in accordance with the Financial Institutions (credit classification and provisioning) Regulation, 2015; e) We challenged management's judgement and we increased the focus on loans that were not reported as being impaired in sectors that are currently experiencing difficult economic and market conditions; f) We tested a sample of the data used in the models as well as assessing the model methodology and tested the calculations within the models; g) We assessed whether the modelling assumptions used considered all relevant risks. We also tested the extraction from underlying systems of historical data used in the models; and h) We involved our IT specialists in the areas that required specific expertise for confirming accuracy of the data used for ECL. i) We assessed the adequacy and appropriateness of disclosures in the consolidated and separate financial statements. Based on our review, we found that the Group's impairment methodology, including the model, assumptions and key inputs used by management to estimate the amount of loan impairment losses were comparable with historical performance, prevailing economic situations and IFRS. We did not identify any exceptions that would result in material misstatement to the financial statements.
Adoption of IFRS 16: Leases Leases is considered to be a matter of most significance as it requires the application of judgement and use assumptions by management. In addition, on January 1, 2019, a new accounting standard for Leases IFRS 16 became effective, which introduced operating leases to be on the statement of financial statements. The Leases is considered to be matter of most significance as it requires the application of significant judgment and use	Our procedures to assess appropriateness of management's calculation of right-of-use assets and lease liabilities are as under: a) As IFRS 16 was adopted at the start of the year, we performed audit procedures on the opening balance to gain assurance on the transition from IAS 17. This included evaluating the compliance with transition rules as per IFRS 16 and testing adjustments on transition;

Independent Auditors' Report

Key audit matter	How our audit addressed the key audit matter
of assumptions by management. Significant judgement is required in determining if contract contains lease, discount rate and renewal of the lease term, etc. The Group has elected to adopt the simplified approach of transition and has not restated comparative information. On January 1, 2019, the Group recognised a lease liability, being the remaining lease payments, including extensions options where renewal is reasonably certain, discounted using the Group's incremental borrowing rate at the date of initial application in the economic environment of the lease. The corresponding right-of-use asset recognised is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases.	b) Reviewed of the work performed by the expert for development of IFRS 16 model, their scope of work, qualifications, and conclusion reached; c) Reviewed and verified the data sent to expert for development of model and selected a sample lease contract; and d) For selected contract, we verified the lease rentals, terms of lease, payment terms, renewal options, etc Based on our review, we found that the Group's IFRS 16 model used by management is in line with the IFRS. We did not identify any exceptions that would result in material misstatement to the financial statements.

Other matter

The consolidated and separate financial statements of the Group for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on April 24, 2019.

Other information

The directors are responsible for the other information. The other information comprises of informations on pages 1 to 28. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2012, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent Auditors' Report

- Identify and assess the risks of material misstatement of the consolidated and separate 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 theGroup's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements,including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year 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.

As required by the Companies Act, 2012 we report to you, based on our audit 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 Group and the Bank, so far as appears from our examination of those books; and
- the Group's and the Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is CPA Yuonusu Musoke - P0453.

Yuonusu Musoke	Grant Thornton
P0453	Certified Public Accountants

Date: March 27, 2020
Place: Kampala, Uganda

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income

Particulars		Group		Bank	
	Note(s)	2019 USh '000	2018 USh '000	2019 USh '000	2018 USh '000
Interest income	6	162,617,677	158,741,498	162,617,677	158,741,498
Interest expense	7	(61,774,461)	(49,239,650)	(61,802,077)	(49,269,780)
Net interest income		**100,843,216**	**109,501,848**	**100,815,600**	**109,471,718**
Non interest income	8	37,319,470	36,994,343	37,218,444	36,847,532
Operating expenses	9	(64,765,998)	(54,757,763)	(64,707,486)	(54,669,406)
Impairment allowance on financial assets	16	(3,143,056)	950,170	(3,143,056)	950,170
Profit before taxation		**70,253,632**	**92,688,598**	**70,183,502**	**92,600,014**
Taxation	11	(24,891,793)	(19,205,139)	(24,870,754)	(19,179,189)
Profit for the year		**45,361,839**	**73,483,459**	**45,312,748**	**73,420,825**
Other comprehensive income (net of tax): **Items that will not be reclassified to profit or loss** Loss on fair valuation of investment in shares		(6,479)	(8,947)	-	-
Items that will be reclassified to profit or loss Net loss in fair valuation of government securities		(1,564,179)	(18,946,539)	(1,546,633)	(18,946,539)
Other comprehensive income/(loss) for the year		**(1,570,658)**	**(18,955,486)**	**(1,546,633)**	**(18,946,539)**
Total comprehensive income		**43,791,181**	**54,527,973**	**43,766,115**	**54,474,286**
Earnings per share for equity holders of the Bank Basic and diluted (USh per share)	33	20.25	32.80	20.23	32.78

The notes on pages 38 to 83 form an integral part of the consolidated and separate financial statements.

Consolidated and Separate Statement Financial Postion

		Group		Bank	
Particulars	Note(s)	2019 USh '000	2018 USh '000	2019 USh '000	2018 USh '000
Assets					
Cash and balances with Bank of Uganda	12	180,908,902	164,394,819	180,886,135	164,262,009
Investment in government securities	13	538,151,415	508,317,338	538,151,415	508,317,338
Amounts due from overseas branches of parent company	14	9,752,300	36,850,895	9,752,300	36,850,895
Deposit and balances due from other financial institutions	15	307,814,346	213,827,944	307,814,346	213,827,944
Loans and advances to customers (net)	16	804,266,970	757,188,839	804,266,970	757,188,839
Other assets	17	3,768,263	3,470,110	3,583,907	3,241,524
Current tax receivable	18	822,637	8,512,335	806,301	8,491,215
Investments in subsidiary	19	-	-	40,000	40,000
Deferred tax	20	2,761,653	3,425,452	2,757,160	3,420,987
Property, equipment and right-of-use assets	21	27,259,233	18,091,961	27,257,713	18,090,204
Intangible assets	22	129,044	121,845	129,044	121,845
Total Assets		**1,875,634,763**	**1,714,201,538**	**1,875,445,291**	**1,713,852,800**
Equity and Liabilities					
Equity					
Share capital	23	25,000,000	25,000,000	25,000,000	25,000,000
Treasury shares	23	(6,433)	(6,433)	-	-
Other reserves		6,149,880	25,962,840	6,174,217	25,969,632
Proposed dividend		25,000,000	25,000,000	25,000,000	25,000,000
Retained earnings		338,752,401	298,774,180	338,105,684	298,176,554
		394,895,848	**374,730,587**	**394,279,901**	**374,146,186**
Liabilities					
Other financial liabilities	25	3,787,009	11,188,328	3,787,009	11,188,328
Customer deposits	26	1,438,060,145	1,301,810,777	1,438,581,061	1,302,169,378
Other liabilities	27	37,622,997	25,058,782	37,528,556	24,935,844
Retirement benefit obligation	28	1,268,764	1,413,064	1,268,764	1,413,064
Total Liabilities		**1,480,738,915**	**1,339,470,951**	**1,481,165,390**	**1,339,706,614**
Total Equity and Liabilities		**1,875,634,763**	**1,714,201,538**	**1,875,445,291**	**1,713,852,800**

The consolidated and separate financial statements on pages 33 to 83, were approved by the Board of Directors on March 27, 2020 and were signed on its behalf by:

Mrs Vastina Rukimirana Nsanze Chairman	Mr. Ashwini Kumar Managing Director	Mr. Manoj Kumar Bakshi Executive Director

The notes on pages 38 to 83 form an integral part of the consolidated and separate financial statements.

Consolidated and Separate Statement of Changes in Equity

Particulars	Share capital USh '000	Treasury shares USh '000	Regulatory general credit risk reserve USh '000	Revaluation reserve USh '000	FVTOCI Reserve USh '000	Available for sale reserve USh '000	Proposed dividend USh '000	Retained earnings USh '000	Total equity USh '000
Group									
Balance as at December 31, 2017	25,000,000	(6,433)	18,139,251	9,650,923	-	11,825,396	18,750,000	247,099,001	330,458,138
Adjustments									
Day one IFRS 9 transition	-	-	-	-	11,825,396	(11,825,396)	-	8,274,510	8,274,510
Subsidiary restatement	-	-	-	-	-	-	-	13,161	13,161
Balance at January 1, 2018 as restated	**25,000,000**	**(6,433)**	**18,139,251**	**9,650,923**	**11,825,396**	**-**	**18,750,000**	**255,386,672**	**338,745,809**
Profit for the year	-	-	-	-	-	-	-	73,483,460	73,483,460
Other comprehensive income	-	-	-	-	(18,955,486)	-	-	-	(18,955,486)
Transfer to regulatory reserves (net of tax)	-	-	5,785,303	-	-	-	-	(5,785,303)	-
Transfer of excess depreciation on revaluation (net of tax)	-	-	-	206,805	-	-	-	-	206,805
Dividends paid	-	-	-	-	-	-	(18,750,000)	-	(18,750,000)
Dividends proposed	-	-	-	-	-	-	25,000,000	(25,000,000)	-
Transfer from revaluation reserve	-	-	-	(689,351)	-	-	-	689,351	-
Balance at December 31, 2018	**25,000,000**	**(6,433)**	**23,924,554**	**9,168,377**	**(7,130,090)**	**-**	**25,000,000**	**298,774,180**	**374,730,588**
Profit for the year	-	-	-	-	-	-	-	45,361,839	45,361,839
Transfer to regulatory reserves (net of tax)	-	-	(19,157,963)	-	-	-	-	19,157,963	-
Transfer of excess depreciation on revaluation (net of tax)	-	-	-	(458,419)	-	-	-	458,419	-
Transfer to investment fluctuation reserves	-	-	-	-	(1,564,179)	-	-	-	(1,564,179)
Recycling of government securities at FVTOCI (net of tax)	-	-	-	-	1,367,600	-	-	-	1,367,600
Dividends paid	-	-	-	-	-	-	(25,000,000)	-	(25,000,000)
Dividends proposed	-	-	-	-	-	-	25,000,000	(25,000,000)	-
Balance at December 31, 2019	**25,000,000**	**(6,433)**	**4,766,591**	**8,709,958**	**(7,326,669)**	**-**	**25,000,000**	**338,752,401**	**394,895,848**

Consolidated and Separate Statement of Changes in Equity

Particulars	Share capital USh '000	Treasury shares USh '000	Regulatory general credit risk reserve USh '000	Revaluation reserve USh '000	FVTOCI Reserve USh '000	Available for sale reserve USh '000	Proposed dividend USh '000	Retained earnings USh '000	Total equity USh '000
Bank									
Opening balance as previously reported	25,000,000	-	18,139,251	9,650,923	11,823,240	-	18,750,000	246,577,171	329,940,585
Adjustments									
Day one IFRS 9 transition	-	-	-	-	-	-	-	8,274,510	8,274,510
Balance at January 1, 2018 as restated	**25,000,000**	**-**	**18,139,251**	**9,650,923**	**11,823,240**	**-**	**18,750,000**	**254,851,681**	**338,215,095**
Profit for the year	-	-	-	-	-	-	-	73,420,825	73,420,825
Other comprehensive income	-	-	-	-	(18,946,539)	-	-	-	(18,946,539)
Transfer to regulatory reserves (net of tax)	-	-	5,785,303	-	-	-	-	(5,785,303)	-
Transfer of excess depreciation on revaluation (net of tax)	-	-	-	206,805	-	-	-	-	206,805
Dividends paid	-	-	-	-	-	-	(18,750,000)	-	(18,750,000)
Dividends proposed	-	-	-	-	-	-	25,000,000	(25,000,000)	-
Transfer from revaluation reserve (net of tax)	-	-	-	(689,351)	-	-	-	689,351	-
Balance at December 31, 2018	**25,000,000**	**-**	**23,924,554**	**9,168,377**	**(7,123,299)**	**-**	**25,000,000**	**298,176,554**	**374,146,186**
Profit for the year	-	-	-	-	-	-	-	45,312,748	45,312,748
Transfer to regulatory reserves (net of tax)	-	-	(19,157,963)	-	-	-	-	19,157,963	-
Transfer of excess depreciation on revaluation (net of tax)	-	-	-	(458,419)	-	-	-	458,419	-
Transfer to investment fluctuation reserves (net of tax)	-	-	-	-	(1,546,633)	-	-	-	(1,546,633)
Recycling of government securities at FVTOCI (net of tax)	-	-	-	-	1,367,600	-	-	-	1,367,600
Dividends paid	-	-	-	-	-	-	(25,000,000)	-	(25,000,000)
Dividends proposed	-	-	-	-	-	-	25,000,000	(25,000,000)	-
Balance at December 31, 2019	**25,000,000**	**-**	**4,766,591**	**8,709,958**	**(7,302,332)**	**-**	**25,000,000**	**338,105,684**	**394,279,901**

The notes on pages 38 to 83 form an integral part of the annual report and consolidated and separate financial statements.

Consolidated and Separate Statement of Cash Flows

Particulars	Note(s)	Group 2019 USh '000	Group 2018 USh '000	Bank 2019 USh '000	Bank 2018 USh '000
Cash flows from operating activities					
Interest receipts		165,922,527	158,772,276	165,826,266	158,629,778
Interest payments		(62,380,664)	(47,628,554)	(62,380,664)	(47,628,554)
Net fees and commission receipts		16,504,855	13,937,740	16,504,855	13,937,740
Other income received		6,210,054	7,882,861	6,177,673	7,848,418
Recoveries on loans previously written off		13,806,461	15,292,586	13,806,461	15,292,586
Payments to employees and suppliers		(63,581,640)	(28,600,558)	(63,581,640)	(28,519,165)
Changes in working capital:					
Loans and advances to customers (net)		(48,311,854)	(124,991,182)	(48,311,854)	(124,991,182)
Cash reserve requirement		(7,630,000)	9,808,000	(7,630,000)	9,808,000
Loans and advances to Banks		-	(76,717,078)	-	(76,717,078)
Other assets		(886,177)	33,445	(832,685)	55,109
Investment in Government securities		(39,923,901)	10,852,146	(39,923,901)	10,852,146
Customer deposits		135,018,111	135,408,071	135,018,111	135,482,836
Other financial liabilities		(7,401,319)	(8,060,548)	(7,401,319)	(8,060,548)
Other liabilities		(408,300)	2,760,303	(381,872)	2,645,942
		106,938,153	**68,749,508**	**106,889,431**	**68,636,028**
Tax paid	18	(16,259,594)	(23,710,441)	(16,246,844)	(23,690,441)
Net cash from operating activities		**90,678,559**	**45,039,067**	**90,642,587**	**44,945,587**
Cash flows from investing activities					
Purchase of property, equipment and right-of-use assets		(708,755)	(469,306)	(708,755)	(469,306)
Sale of property, equipment and right-of-use assets		59,631	-	59,631	-
Purchase of intangible assets		(66,620)	(159,660)	(66,620)	(159,660)
Net cash used in investing activities		**(715,744)**	**(628,966)**	**(715,744)**	**(628,966)**
Cash flows from financing activities					
Dividends paid		(25,000,000)	(18,750,000)	(25,000,000)	(18,750,000)
Net change in cash and cash equivalents for the year		**64,962,815**	**25,660,101**	**64,926,843**	**25,566,621**
Cash and cash equivalents at the beginning of the year		515,630,218	489,970,117	515,497,415	489,930,794
Total cash and cash equivalents at end of the year	30	**580,593,033**	**515,630,218**	**580,424,258**	**515,497,415**

Notes to the Consolidated and Separate Financial Statements

Corporate information

Bank of Baroda (Uganda) Limited ("the Bank") is a public limited liability company incorporated and domiciled in Uganda. The Bank started its operations in Uganda and opened Kampala (Main) branch on December 18, 1953. The Bank was incorporated on November 1, 1969. Its parent and ultimate holding company is Bank of Baroda - India head quartered in Mumbai, India.

The Bank is principally engaged in the provision of commercial banking services.

The Registered office of the Bank is:

Bank of Baroda (Uganda) Limited

Plot 18, Kampala Road,

PO Box 7197

Kampala, Uganda

The Bank's shares are listed on the Uganda Securities Exchange (USE).

The consolidated financial statements of the Group for the year ended December 31, 2019 comprise the Bank and its subsidiary, Baroda Capital Markets (Uganda) Limited ("the Subsidiary"). The Subsidiary is engaged in brokerage of securities and shares traded at the Uganda Securities Exchange.

The separate financial statements for the year ended December 31, 2019 comprise Bank only.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual report and consolidated and separate financial statements are set out below.

1.1 Basis of preparation

The consolidated and separate financial statements have been prepared on the going concern basis in accordance with International Financial Reporting Standards ("IFRSs") and in the manner required by the Companies Act, 2012 and the Financial Institutions Act, 2004, and as amended.

The consolidated and separate financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Uganda Shillings (USh), which is the Group's functional currency. All financial information presented in USh has have been rounded to the nearest thousand, unless otherwise indicated.

These accounting policies are consistent with the previous period except for the changes set out in note 2.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of consolidated and separate financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Key sources of estimation uncertainty

Fair value estimation

Several assets and liabilities of the Group are either measured at fair value or disclosure is made of their fair values.

A valuation committee was established in order to determine the appropriate valuation techniques and inputs for each valuation. The committee reports to the director. Significant valuation issues are reported to the audit committee.

Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Notes to the Consolidated and Separate Financial Statements

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment allowance

Critical estimates have been made by the management in arriving at the discounted values of securities in order to arrive at the impairment charges for loans and advances. The calculation of impairment involves key judgements made by the directors;

- For individually significant financial assets, the Group considered judgements that have an impact on the expected future cash flows of the asset. These include, the business prospects, industry and geopolitical climate of the customer, realizable value of collateral, the Group's legal position, etc. Many of the key judgement factors have a degree of interdependency, therefore a significant level of judgement is required.
- The difference between the loan carrying amount and the discounted expected future cash flows will result in the impairment amount. The future cash flow calculation involves significant judgements and estimates. As new information becomes available and further negotiations/forbearance measures are taken, the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis
- For financial assets which are not individually significant, which comprise a large number of loans that with similar risk characteristics, statistical estimates and techniques are used. These techniques use models which analyze sector wise historical repayment and default rates over a period of five years. Further judgement is required to determine whether the current economic climate, behavioral and credit conditions are such that the actual level of incurred losses, and losses inherent in the collective portfolio is likely to be greater or less than historical experience, and is not fully reflective in the allowance estimated through the use of statistical models and historical data.
- The Expected Loss utilizes probability of default and loss given default inherent within the portfolio of impaired loans or receivables and the historical loss experience for assets with credit risk characteristics similar to those in one sector. Probability of default is determined based on the Group's internal assessment and customer's credit rating, number of days' delay in repayment of dues.
- The Group assesses at each reporting sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more default events occurring after the initial recognition. 90 days or more past due principle and interest.

Useful lives of property and equipment

Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the directors determined significant changes in the useful lives and residual values. Assessment of the useful lives of the property and equipment was done by the external consultant.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Management makes estimates for the provisions, based on the historical data available and reassesses them at the end of every reporting period.

IFRS 16 Leases

The significant judgements in the implementation were determining if a contract contained a lease, and the determination of whether the Group is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates in the respective economic environments. The average discount rate applied to lease liabilities on the transition date January 1, 2019 was 2.75% for US dollar lease liabilities and 15.10% for Uganda Shilling lease liabilities.

Notes to the Consolidated and Separate Financial Statements

1.2 Significant judgements and sources of estimation uncertainty (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Impairment of non financial assets

The Group reviews its non financial assets to assess the likelihood of impairment on an annual basis. In determining whether such assets are impaired, management make judgements as to whether there are any conditions that indicate potential impairment of such assets.

1.3 Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2019. The Group consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding, or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Bank. When necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies in line with the Group's accounting policies.

In the Bank's separate financial statements, investment in subsidiary is carried at cost less any impairment that has been recognised in profit or loss.

All intra-group balances and any gain and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Notes to the Consolidated and Separate Financial Statements

1.4 Revenue

Recognition of interest income and interest expense

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', The Group calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, The Group reverts to calculating interest income on a gross basis.

Fees and commission on financial services

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The Group also derives income from consideration paid by customers to transfer money and foreign exchange transactions. These revenues vary by transaction based upon send and receive locations, the principal amount sent, whether the money transfer involves different send and receive currencies, the difference between the exchange rate set by the Group to the customer and the rate available in the wholesale foreign exchange market, speed of service, and channel, as applicable. Income from foreign exchange transactions is the exchange rate margin between the selling and the buying rates of the various currencies traded in during the period (spot base). Although baseline exchange rates are determined by Bank of Uganda, the Group adjusts market rates in response to the market demand and supply of the respective foreign currencies. The Group also offers several other services, including payment services and other bill payment services, for which income is impacted by similar factors.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Brokerage fees

The Group buys and sells securities on behalf of its customers and receives a fixed commission for each transaction. The Group's performance obligation is to execute the trade on behalf of the customer and revenue is recognised once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date.

Dividend income

Dividend income is recognised when the right to receive dividend is established.

Notes to the Consolidated and Separate Financial Statements

1.5 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies during the period are converted into Uganda Shillings (functional currency), at rates ruling at the transaction dates. Assets and liabilities at the date of this report which are expressed in foreign currencies are translated into Uganda Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit or loss in the period in which they arise.

A foreign currency transaction is recorded, on initial recognition in Uganda Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual report and consolidated and separate financial statements are recognised in profit or loss in the period in which they arise.

1.6 Property, equipment and right-of-use assets

An item of property, equipment and right-of-use assets is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Property, equipment and right-of-use assets is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

Depreciation is calculated on a straight line basis to write down the cost of each asset to its residual value over its estimated useful life, using the following annual rates.

Nature of assets	Depreciation method	% of depreciation / years
Buildings	Straight line	20 years
Furniture and fixtures	Reducing balance basis	12.50%
Motor vehicles	Reducing balance basis	20.00%
IT equipment	Straight line	3 to 5 years
Right -of-use assets	Straight line	2 to 16 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, equipment and right-of-use assets with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property, equipment and right-of-use assets is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, equipment and right-of-use assets, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Notes to the Consolidated and Separate Financial Statements

1.7 Intangible assets

An intangible asset is recognised when:

- it is 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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Nature of intangible assets	Useful life
Computer software	3 years

1.8 Employee Benefit

Defined contribution plans

The Group and all its' employees contribute to the National Social Security Fund, which is a defined contribution scheme. A defined contribution plan is a pension plan under which the Group pays a fixed contribution to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of the scheme are held in a separate trustee administered fund which is funded by contributions from both the Group and employees.

The Group's contributions to the defined contribution scheme are charged to the statement of profit or loss and other comprehensive income in the year to which they fall due.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the group is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Notes to the Consolidated and Separate Financial Statements

1.9 Leases

Policy applicable from January 1, 2019

- At the inception of the contract, the Group assesses whether a contract is, a lease. Contract is, or contains, a lease if the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. To assess whether contract covers the right to control the use of an identified assets, the Group assesses whether;
- The contract involves the use of an identified assets – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct thd use of the asset if either;

  > the Group has the right to operate the asset; or

  > the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The policy is applied to contract entered into, or changed, on or after January 1, 2019

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Policiy applicable prior to January 1, 2019

For contracts entered into before January 1, 2019, the Group determined whether the arragnement was or contains a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific assets or assets; and
- the ararngement had conveyed a right to use the asset. An arrangmentment conveyed the right to use the asset if one of the following was met:

  > the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

  > the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insigifniciant amount of the output; or

  > facts an circumstances indicated that it was remore that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nore equal to the current market price per unit of output.

i) As a lessee

Policy applicable from January 1, 2019

The Group recognises a right-of-use asset and a lease liabilities at the lease commencement date. The right-of-use assset is initally measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any intial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying assset or the site on which it is located, less any lease incentives received.

Notes to the Consolidated and Separate Financial Statements

1.9 Leases (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjustment for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease lability comprise the following:

> fixed payments, includeing in-substance fixed pyaments;

> variable lease payments that depend on an index or a rate, intially measured using the index or rate as at the commencement date;

> amounts expected to be payable under a residual value guarantee; and

> the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liablity is measured at amortised cost using the effective interet method. It is remeasured when there is a change in fuure lease payments arising from change in an index or rate, if there is a change in the Group's esitimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise purchase, extension or termination option.

When the lease lability 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.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilitites for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expenses on a straight-line basis over the lease term.

Policy applicable prior to January 1, 2019

In the comparative period, as a lessee the Group classified lease that transfer substantially all of the risks and reward of ownership as finance leases. When this was the case, the leased assets where measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lease was required to make, excluding any contingent rent.

Subsequent, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classfied as operating leases and were not recognised in the Group's statement of fianncial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense. Over the term of the lease.

ii) As a leasor

When the Group acts as a leassor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substataily all of the risks and rewards incidental to owenership of the underlaying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Notes to the Consolidated and Separate Financial Statements

1.9 Leases (continued)

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classfication of a sub-lease with reference to the right-of-use assets arising from the head lease not with reference to the underlaying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease compoents, the Group applies IFRS 15 to allocate the consderation in the contract.

The Group recongnised lease payments received under operating lease as income on straightline basis over the lease term as part of "other income".

The accounting policies applicable to the Group as a leassor in the comparative period were not different from IFRS 15. However, when the Group was an intermediate lessor the sub-leases were classfiied with reference to the underlaying asset.

1.10 Tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Notes to the Consolidated and Separate Financial Statements

1.11 Financial instruments

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price.

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Group classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost,
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The Group classifies and measures its trading portfolio at FVPL and also may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments - Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are enough trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the reporting date.

Level 2 financial instruments - Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.

Level 3 financial instruments - Those that include one or more unobservable input that is significant to the measurement as whole.

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Group's financial instruments such as credit risk, own credit and/or funding costs. Therefore, the Group applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralized financial instruments. The Group estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself. The Group evaluates

Notes to the Consolidated and Separate Financial Statements

1.11 Financial instruments (Continued)

the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period

Financial assets and liabilities

Due from banks, Loans and advances to customers, Financial investments at amortised cost

The Group measures Due from banks, Loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below:

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process, the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial assets or financial liabilities held for trading

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in other income. Interest and dividend income or expense is recorded in other income according to the terms of the contract, or when the right to payment has been established.

Notes to the Consolidated and Separate Financial Statements

1.11 Financial instruments (Continued)

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets

The contractual terms of the financial asset meet the SPPI test.

Gains and losses on disposal of investments whose changes in fair value were initially recognised in the income statement are determined by reference to their carrying amount and are taken into account in determining profit before tax. On disposal of investments whose changes in fair value were initially recognised in equity, the gains/losses are recognised in the reserve, where the fair values were initially recognised. Any gain / losses recongised in other comprehensive income will be recycled upon derecognition of the asset.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the asset.

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance. The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Like financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL are disclosed.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

Notes to the Consolidated and Separate Financial Statements

1.11 Financial instruments (Continued)

When assessing whether to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group 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 received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group must remit any cash flows it collects on behalf of the eventual recipients without material delay.
- In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cashequivalents, including interest earned, during the period between the collection date and the date of required emittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally and without imposing additional restrictions on the transfer.

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

Notes to the Consolidated and Separate Financial Statements

1.11 Financial instruments (continued)

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial assets

Overview of the ECL principles

The Group records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL). The 12mECL is the portion of LTECLs that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To ensure completeness and accuracy, the Group obtains the data used from third party sources (economic data and forecast information by the governmental and international monetary authorities, etc.) and uses the services of an external consultant that verifies the accuracy of inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios. The key input in the ECL model include:

- Quarterly loan listing for previous five years;
- Write-off details and recoveries from the previous 5 years; and
- Year-end balances for exposed assets.

Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3. Instances for stage 2 may include a customer with various facilities and defaults on one of them, restructured debt and/ sector affected by natural hazards.

- Stage 3: Loans considered credit impaired. The Group records an allowance for the LTECL. Instances may include customer being declared bankrupt by an independent government authority, pronounced a defaulter by another financial institution and receiving a directive from the regulator to fully impair the party's receivable.

Notes to the Consolidated and Separate Financial Statements

1.11 Financial instruments (continued)

- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECL

The Group calculates ECL based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD -** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The Group considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Group considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements. PD estimation is derived by bucketing products/facilities for segmentation based on homogeneous characteristics such as industry or facility type, the historical loss rate and the weighted average loss rate and the Credit Conversion Factor (CCF). The Group uses the CCF which is based on Bank of Uganda guidelines for risk weightage of assets. The CCF for fund-based assets and undrawn overdraft limits is 100% and 50% respectively. For non-fund-based products such as letter of credit, guarantees and derivatives, their CCF is 20%, 100% and 5% respectively.

- **EAD -** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

- **LGD -** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

1.12 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventory are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

Notes to the Consolidated and Separate Financial Statements

1.12 Impairment of non-financial assets (continued)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized..

1.13 Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are accounted for as off balance sheet transactions and disclosed as contingent liabilities. Estimates of the outcome and of the financial effect of contingent liabilities is made by the management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss.

1.14 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Contingent assets and contingent liabilities are not recognised

1.15 Equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity.

Own equity instruments of the Bank acquired by it or its subsidiary (treasury shares) are deducted from equity. Consideration received or paid on the purchase, sale, issue or cancellation of the Bank's own equity is recognised directly in equity.

Notes to the Consolidated and Separate Financial Statements

2. Changes in accounting policy

The annual report and consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

IFRS 16 Leases

Use of Judgements and estimates

The significant judgements in the implementation were determining if a contract contained a lease, and the determination of whether the Group is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates in the respective economic environments. The average discount rate applied to lease liabilities on the transition date January 1, 2019 was 2.75% for US dollar lease liabilities and 15.10% for Uganda Shilling lease liabilities.

Change in accounting policies: Transition to IFRS 16: Leases

On January 1, 2019, the Group adopted IFRS 16 Leases. IFRS 16 replaces significant judgements and significant estimates are detailed in Note 1.2. As of December 31, 2019, the right-of-use assets in respect of property leases and lease liability were USh 9,904 million and USh 9,562 million respectively. Right-of-use assets are presented in 'Property, plant equipment' on the Group's balance sheet. Lease liabilities are presented in 'Other liabilities' on the statement of financial position. The total charge to the income statement for the year ended December 31, 2019 was USh 1,388 million. Of this, USh 281 million was recognised as 'Interest expense' on lease liabilities and USh 1,106 million was recognised as Depreciation on the right-of-use assets. The difference between right-of-use assets and lease liabilities recognised on January 1, 2019 is due existing prepayments and accruals recognised under IAS 17 as of December 31, 2018 being included in the measurement of the lease liabilities.

New accounting standards adopted by the Group

On January 1, 2019, the Group adopted IFRS 16 Leases. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The impact of IFRS 16 on the Group is primarily, where the Group is a lessee in property lease contracts. The Group has elected to adopt the simplified approach of transition and has not restated comparative information. On January 1, 2019, the Group recognised a lease liability, being the remaining lease payments, including extensions options where renewal is reasonably certain, discounted using the Group's incremental borrowing rate at the date of initial application in the economic environment of the lease. The corresponding right-of-use asset recognised is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The statement of financial position increase as a result of recognition of the lease liability and right-of-use asset as of January 1, 2019 was approximately USh 11,011 million, with no adjustment to retained earnings. The right-of-use asset is presented in 'Property, equipment and right-of-use asset' and the lease liability is presented in 'Other liabilities'.

Impact on Statement of Financial Position on adoption of IFRS 16

	Group 2019 USh '000	Bank 2019 USh '000
Property, equipment and right-of-use assets		
As at January 1	11,011,002	11,011,002
Depreciation on Right-of-use assets during the year	(1,106,154)	(1,106,154)
As at December 31	**9,904,848**	**9,904,848**

Notes to the Consolidated and Separate Financial Statements

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the bank has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee;& an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate,fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for assessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification.

  Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Notes to the Consolidated and Separate Financial Statements

3. New Standards and Interpretations (continued)

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-ofuse asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for he lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after January 1, 2019.

The group has adopted the standard for the first time in the 2019 annual report and consolidated and separate financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

4. Financial risk management

Financial risk management

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

Financial risk management is carried out by the Treasury and Credit department under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments.

(a) Capital management

Internally imposed capital requirements

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

- To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- To comply with the capital requirements set by Bank of Uganda;
- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business; and
- To maintain an optimal capital structure to reduce the cost of capital.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Uganda for supervisory purposes. The required information is filed with the Bank of Uganda on a quarterly basis.

Notes to the Consolidated and Separate Financial Statements

4. Financial risk management (Continued)

Externally imposed capital requirements

Bank of Uganda requires each bank to: (a) hold the minimum level of regulatory capital of USh 25 billion as at December 31, 2019; (b) maintain core capital of not less than 10% of total risk weighted assets plus risk weighted off balance sheet items; and (c) maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.

The bank's total regulatory capital is divided into two tiers:

- Tier 1 capital (core capital): share capital, share premium, and retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill, current year losses, prohibited loans to insiders, investments in unconsolidated financial statements, deficiencies in provisions for losses, other deductions determined by BOU are deducted in arriving at tier 1 capital
- Tier 2 capital (Supplementary capital): Revaluation reserves, general provisions, subordinated debt and hybrid capital instruments.

The risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of the credit risk associated with each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of the regulatory capital

Particulars	Bank	
	2019	**2018**
Core capital (Tier 1)	**USh'000**	**USh'000**
Share capital	25,000,000	25,000,000
Accumulated profit	338,105,684	298,176,554
Intangible assets	(129,044)	(121,845)
Unrealised gain/losses on forex	(63,347)	(3,653)
Investments in subsidiaries	(40,000)	(40,000)
Deferred tax	(2,757,160)	(3,420,987)
Total Tier 1 Capital	**360,116,133**	**319,590,069**
Supplementary capital (Tier 2)		
Unencumbered general provisions (FI Act)	8,071,020	7,400,248
Revaluation reserve	8,709,958	9,168,377
Total Tier 2 Capital	**16,780,978**	**16,568,625**
Tier 1 capital	360,116,133	319,590,069
Tier 2 capital	16,780,978	16,568,625
Total capital (Tier 1 + Tier 2)	**376,897,111**	**336,158,694**

The risk–weighted assets are measured by means of hierarchy of five risk weights classified according o the nature of and reflecting an estimate of credit, market and market risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of potential losses.

Notes to the Consolidated and Separate Financial Statements

4. Financial risk management (Continued)

Particulars	2019			2018		
	Balance Sheet Nominal Amount USh '000	**Risk Weighted %**	**Risk Weighted Amount USh '000**	**Balance Sheet Nominal Amount USh '000**	**Risk Weighted %**	**Risk Weighted Amount USh '000**
Assets						
Notes, coins and other cash assets	15,563,416	0 %	-	16,686,348	0 %	-
Investment in government securities	538,151,415	0 %	-	508,317,338	0 %	-
Repurchase agreements with Bank of Uganda	-	0 %	-	10,000,000	0 %	-
Due from Commercial Banks in Uganda	23,029,700	20 %	4,605,940	8,686,269	20 %	1,737,254
Balance with Bank of Uganda	165,322,719	0 %	-	137,575,661	0 %	-
Placements with local Banks	65,434,369	20 %	13,086,874	21,294,247	20 %	4,258,849
Placements with foreign Banks	217,998,822	100 %	217,998,822	111,748,941	100 %	111,748,941
Due from banks outside Uganda with longterm rating as follows:						
i. Rated AAA to AA (-)	-	20 %	-	-	20 %	-
ii. Rated A(+) to A(-)	1,351,455	50 %	675,728	72,098,487	50 %	36,049,244
iii. Rated A (-) and non-rated	-	100 %	-	36,771,164	100 %	36,771,164
Loans and advances to customers (excluding loans secured by 100% cash margin)	736,407,110	100 %	736,407,110	661,609,880	100 %	661,609,880
Outstanding balance fully secured by FDR/SDR	70,694,905	0 %	-	78,414,882	0 %	-
Due from overseas branches of parent bank	9,752,300	100 %	9,752,300	79,731	100 %	79,731
Other assets	3,583,907	100 %	3,583,907	3,241,524	100 %	3,241,524
Current tax receivable	806,301	100 %	806,301	8,491,215	100 %	8,491,215
Investment in subsidiaries	40,000	100 %	40,000	40,000	100 %	40,000
Deferred tax	2,757,160	0 %	-	3,420,987	0 %	-
Property, equipment and right -of- use assets	27,257,713	100 %	27,257,713	18,090,204	100 %	18,090,204
Intangible assets	129,044	0 %	-	121,845	0 %	-
Total assets*	**1,878,280,336**		**1,014,214,695**	**1,696,688,723**		**882,118,006**
Off balance sheet items						
Contingents secured by cash collateral	30,497,655	0 %	-	28,631,405	0 %	-
Direct credit substitutes (guarantees and acceptances)	55,816,220	100 %	55,816,220	38,796,659	100 %	38,796,659
Transaction related (performance bonds and standbys)	11,684,193	50 %	5,842,097	11,900,110	50 %	5,950,055
Documentary Credits (trade related and self liquidating)	53,410,686	20 %	10,682,137	50,965,186	20 %	10,193,037
Other Commitments (unused formal facilities)	178,284,123	50 %	89,142,062	145,961,162	50 %	72,980,581
Total off balance sheet items	**329,692,877**		**161,482,516**	**276,254,522**		**127,920,332**
Total risk weighted assets			1,175,697,211			1,010,038,338
Weighted items with market risk			-			28,399
Weighted items with counter party credit risk			-			-
Total Risk Weighted items			**1,175,697,211**			**1,010,066,737**

Notes to the Consolidated and Separate Financial Statements

4. Financial risk management (continued)

*This includes the loans and advances net of impairment allowance in accordance with Financial Institutions Act, 2014, and as amended. Below is the reconciliation of total assets as per statement of financial position;

	2019	2018
	USh '000	USh '000
Total assets as per Statement of Financial Position	1,875,445,291	1,713,852,800
Less: Loans and advances to customer (as per IFRS)	(804,266,970)	(757,188,839)
Add: Loans and advances to customer (As per FI Act)	807,102,015	740,024,762
***Total assets (As above)**	**1,878,280,336**	**1,696,688,723**

	2019	2019	2018	2018
	Actual Ratios	Minimum Requirements	Actual Ratios	Minimum Requirements
Core capital to risk assets ratio	30.63 %	10.00 %	31.64 %	10.00 %
Total capital to risk assets ratio	32.06 %	12.00 %	33.28 %	12.00 %

Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to pay amounts in full when due. Credit risk is the most important risk for the Group's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off- balance sheet financial instruments, such as loan commitments. For risk management purposes, credit risk arising on trading of securities is managed independently, but reported as a component of market risk exposure.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments.

Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

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

The credit risk management and control are centralised in credit and treasury departments of the Group.

In measuring credit risk of loans and advances to customers, the Group reflects on various components. These include:

- the probability of default by the borrower/client on their contractual obligations;
- current exposures on the borrower/client and the likely future development, from which the Group derives the exposure at default; and
- the likely recovery ratio on the defaulted obligations.

The Group assesses the probability of default of individual borrower/client using internal rating methods tailored to the various categories of the borrower/client. These have been developed and combine statistical analysis with the credit department's judgment and are validated, where appropriate, by comparison with externally available data. Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. Corrective action is taken where necessary.

- Investments

For investments, internal ratings taking into account the requirements of the Banking Act are used by the Group for managing the credit risk exposures. The investments in those securities are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirment at the same time.

- Risk limit control and mitigation policies

The Group manages its credit risk, inter-alia by:

Notes to the Consolidated and Separate Financial Statements

4. Financial risk management (continued)

- Formulating credit policies covering collateral requirements, credit assessment risk grading, legal procedures for documentation, reporting and compliance with regulatory and statutory requirements.

- Establishing the authority structure for approval and renewal of credit facilities. Discretionary lending powers have been allocated to the Credit Committee of Board, Credit Management Committee, Managing Director, Assistant General Managers, Chief Managers/ Senior Branch Managers, Credit Committee of the Board to oversee the credit portfolio of the Group.

- Developing and maintaining the Group`s risk grading in order to categorise exposures according to degree of risk of financial loss faced and the focus on management of consequent risk or loss. The current risk grading framework consist of 5 categories of risk grades reflecting the varying grades of risk of default and availability of collaterals or other risk mitigates, risk grades are subject to regular review by the Group.

- Setting exposure limits i.e. credit concentration. The Group has in place a framework of exposure ceiling of various industries, counterparties, country (for investment securities) etc.

- Review and assessment of credit risk - the Group carries out a conscious assessment of credit exposure in excess of designated limits, prior to the facilities being committed to the customer. This is a part of the appraisal system for processing the request of borrower for a credit facility. Renewals and review of credit facilities are also subject to the same appraisal criteria.

- Review of the compliance of the various regulatory limits, exposure ceilings etc. at regular intervals by the Group.

- The management provide assistance to the business units/branches to promote best practices for credit appraisal throughout the Group in management of credit risk

Each branch/business units are responsible for implementing, complying and monitoring with the credit policies in order to build up a quality credit portfolio, including those which are sanctioned by head office. Regular audit of the branches is undertaken by the internal audit.

Some other specific control and mitigation measures are outlined below:

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most common one is to obtain collateral for loans and advances to customers. The types of collateral obtained include:

- Mortgages over properties;
- Charges over business assets such as land and buildings, inventory and receivables;
- Charges over financial instruments such as investments;
- Deposits placed under lien.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

Credit-related commitments

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

Notes to the Consolidated and Separate Financial Statements

4. Financial Risk Management (Continued)

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

Maximum exposure to credit risk before collateral held;

Particulars	Group		Bank	
	2019	2018	2019	2018
	USh '000	USh '000	USh '000	USh '000
Deposit and balances due from other banking institutions	307,814,346	213,827,944	307,814,346	213,827,944
Due from overseas branches of parent bank	9,752,300	36,850,895	9,752,300	36,850,895
Investment in Government securities	538,151,415	508,317,338	538,151,415	508,317,338
Other assets	3,768,263	3,470,110	3,583,907	3,241,524
Loans and advances to customers (net)	804,266,970	757,188,839	804,266,970	757,188,839
Credit exposure relating to off-balance sheet items:				
Acceptances and letters of credit	53,410,686	50,965,186	53,410,686	50,965,186
Guarantees and performance	67,500,413	50,696,769	67,500,413	50,696,769
Commitments to lend	178,284,123	145,961,162	178,284,123	145,961,162
Other credit commitments	30,497,655	28,631,405	30,497,655	28,631,405
	1,993,446,171	**1,795,909,648**	**1,993,261,815**	**1,795,681,062**

The table above represents a worst case scenario of credit risk exposure to the Group without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position.

As shown above, 40.35% (2018: 42.16%) of the total maximum exposure of the Group is derived from loans and advances to banks and customers 27.00% (2018: 28.30%) represents investments in treasury bills and bonds.

Loans and advances to customers, other than to major corporate and to individuals borrowing less than USh 10 million is secured by collateral in the form of charges over land and building, plant and machinery or corporate guarantees.

- Impairment and provisioning policies

The Group's internal and external systems focus more on credit quality mapping from the inception of the lending of the loan or advance. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incured at the statement of financial position date based on objective evidence of impairment.

The impairment provision shown in the statement of financial position at the year- end is derived after taking various factors into consideration as described in the accounting policy. The Group's management uses basis under IFRS 9 and the Prudential Guidelines to determine the amount of impairment.

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

- 87.63% (2018: 80.91%) of the loans and advances portfolio are neither past due nor impaired
- 98.98% (2018: 92.71%) of the loans are backed by collaterals
- 100.00% (2018: 100%) of the investments in debt securities are government securities
- The Group exercises stringent control over granting of new loans

Notes to the Consolidated and Separate Financial Statements

4. Financial risk management (continued)

Loans and advances are categorized as follows:

Particulars	Group		Bank	
	2019	2018	2019	2018
	USh '000	USh '000	USh '000	USh '000
Neither past due nor impaired	711,907,014	618,210,570	711,907,014	618,210,570
Past due but not impaired	90,334,498	129,497,293	90,334,498	129,497,293
Individually impaired	10,175,535	16,397,329	10,175,535	16,397,329
Gross advances	**812,417,047**	**764,105,192**	**812,417,047**	**764,105,192**
Less: allowance for impairment	(8,150,077)	(6,916,353)	(8,150,077)	(6,916,353)
Net advances	804,266,970	757,188,839	804,266,970	757,188,839

Loans and advances that are aged past 90 days are considered past due and Loans and advances that are aged past 180 days are considered impaired.

The credit quality of the portfolio of loans and advances that were past due but not impaired can be assessed by reference to the internal rating system adopted by the Group.

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:

Particulars	Group		Bank	
	2019	2018	2019	2018
	USh '000	USh '000	USh '000	USh '000
Past due up to 30 days	9,799,576	56,808,185	9,799,576	56,808,185
Past due 31 to 60 days	60,914,064	41,288,858	60,914,064	41,288,858
Past due 61 to 90 days	19,620,858	31,400,250	19,620,858	31,400,250
	90,334,498	**129,497,293**	**90,334,498**	**129,497,293**

Loans and advances renegotiated

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value. The Group renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Group's credit policy, loan restructure is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest and principal payments and amending the terms of loan covenants. For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's credit risk profile, for which the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

Notes to the Consolidated and Separate Financial Statements

- **Financial risk management (continued)**

Individually assessed impaired loans and advances

Particulars	Group		Bank	
	2019	2018	2019	2018
	USh '000	USh '000	USh '000	USh '000
Loans				
Corporate	5,906,140	4,477,019	5,906,140	4,477,019
Retail	152,622	377,823	152,622	377,823
Sub-Total	**6,058,771**	**4,854,842**	**6,058,771**	**4,854,842**
Overdrafts				
Corporate	4,116,764	11,010,112	4,116,764	11,010,112
Retail	-	532,375	-	532,375
Sub-Total	**4,116,764**	**11,542,487**	**4,116,764**	**11,542,487**
Total impaired loans and advances	**10,175,535**	**16,397,329**	**10,175,535**	**16,397,329**

Concentration of credit risk

Economic sector risk concentrations within the loans and advances portfolio are as follows:

At December 31, 2019	Loans and advances %	Credit commitments %	Customer deposits %
Manufacturing	38.97	38.83	6.11
Wholesale and retail trade	6.00	17.18	4.44
Transport and communication	0.24	-	0.34
Building and construction	15.37	3.76	3.11
Agricultural	27.52	6.97	2.25
Individuals	0.76	0.12	57.96
Others	11.14	33.14	25.79
	100.00	**100.00**	**100.00**
At December 31, 2018	Loans and advances %	Credit commitments %	Customer deposits %
Manufacturing	35.07	34.12	4.40
Wholesale and retail trade	10.40	18.55	4.45
Transport and communication	0.01	-	0.30
Building and construction	15.01	8.22	2.68
Agricultural	26.57	19.63	1.38
Individuals	0.61	0.20	58.38
Others	12.33	19.28	28.41
	100.00	**100.00**	**100.00**

Liquidity risk

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

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

Notes to the Consolidated and Separate Financial Statements

4. Financial risk management (continued)

Bank of Uganda requires that the Group maintains a Cash Reserve Ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected level of demand. The treasury department of the Group monitors the liquidity ratio on a daily basis.

The table overleaf analyses the Group's financial assets and liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

At December 31, 2019	Upto 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Assets	**USh '000**	**USh '000**	**USh '000**	**USh '000**	**USh '000**	**USh '000**
Cash and balances with Bank of Uganda	180,886,135	-	-	-	-	180,886,135
Investment in Government securities	46,026,485	35,138,660	203,585,917	209,739,643	43,660,710	538,151,415
Amounts due from overseas branches of parent company	9,752,300	-	-	-	-	9,752,300
Deposit and balances due from other financial institutions	204,984,906	99,091,236	3,738,203	-	-	307,814,345
Loans and advances to customers (net)	46,079,820	72,309,563	123,593,820	197,525,222	364,758,545	804,266,970
Total assets	**487,729,646**	**206,539,459**	**330,917,940**	**407,264,865**	**408,419,255**	**1,840,871,165**
Liabilities						
Other financial liabilities	3,787,009	-	-	-	-	3,787,009
Customer deposits	88,045,814	220,405,913	341,164,573	788,936,214	28,544	1,438,581,058
Other liabilities	-	-	37,528,556	-	-	37,528,556
Total liabilities	**91,832,823**	**220,405,913**	**378,693,129**	**788,936,214**	**28,544**	**1,479,896,623**
Net liquidity gap	**395,896,823**	**(13,866,454)**	**(47,775,189)**	**(381,671,349)**	**408,390,711**	**360,974,542**
Off balance sheet items	167,629,321	69,664,969	85,083,313	7,315,274	-	329,692,877
Net liquidity gap including off balance sheet items	228,267,502	(83,531,423)	(132,858,502)	(388,986,623)	408,390,711	31,281,665
At December 31, 2018						
Total assets	421,552,554	184,816,172	352,624,657	356,205,026	376,981,355	1,692,179,764
Total liabilities	107,257,045	248,519,924	335,441,840	648,487,805	374,146,186	1,713,852,800
Net liquidity gap	**314,295,509**	**(63,703,752)**	**17,182,817**	**(292,282,779)**	**2,835,169**	**(21,673,036)**
Off balance sheet items	61,497,039	145,092,545	66,770,067	2,894,873	-	276,254,524
Net liquidity gap including off balance sheet items	**252,798,470**	**(208,796,297)**	**(49,587,250)**	**(295,177,652)**	**2,835,169**	**(297,927,560)**

Notes to the Consolidated and Separate Financial Statements

Financial risk management (continued)

Market risk

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

The major measurement techniques used to measure and control market risk are outlined below;

Value at Risk

The Group applies a "Value at Risk" methodology (VaR) to its trading and non-trading portfolios, to estimate market risk of positions held and maximum losses expected based upon a number of assumptions for various changes in market conditions. The board sets limits on the value of risk that may be accepted by the Group, trading and non-trading separately, which are monitored on a daily basis by the treasury department.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the Group might lose, but only to a certain level of confidence (98%). Therefore, there is a specified statistical probability (2%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain holding period until positions can be closed (10 days). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have over 10 day period in the past. The Group's assessment of past movement is based on data for the past five years. The Group applies these historical simulation. The actual outcome is monitored regularly to test the validity of the assumptions and parameters/factors used in VaR calculation.

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

The quality of the VaR model is continuously monitored by back testing the VaR results after trading books. All back testing exceptions and any exceptional revenues on the profit side of the VaR distribution are investigated and all back testing results are reporting to the Board of Directors.

VaR summary for 2019 and 2018:

	Group			Bank		
Bank VaR by risk type	**Average**	**High**	**Low**	**Average**	**High**	**Low**
	USh '000	**USh '000**	**USh '000**	**USh '000**	**USh '000**	**USh '000**
12 Months ending December 31, 2019						
Foreign exchange risk	3,535,111	3,708,047	3,175,944	3,535,111	3,708,047	3,175,944
Interest rate risk	4,046,132	3,691,440	4,587,657	4,046,132	3,691,440	4,587,657
	7,581,243	7,399,487	7,763,601	7,581,243	7,399,487	7,763,601
12 Months ending December 31, 2018						
Foreign exchange risk	3,490,083	3,698,072	3,175,978	3,490,083	3,698,072	3,175,978
Interest rate risk	9,104,303	10,023,585	9,237,195	9,104,303	10,023,585	9,237,195
	20,175,629	**21,121,144**	**20,176,774**	**12,594,386**	**13,721,657**	**12,413,173**

Notes to the Consolidated and Separate Financial Statements

4. Financial risk management (continued)

Non trading portfolio VaR by risk type 12 Months ending December 31, 2019	Group			Bank		
	Average	High	Low	Average	High	Low
	USh '000	USh '000	USh '000	USh '000	USh '000	USh '000
Foreign exchange risk	3,535,111	3,708,047	3,175,944	3,535,111	3,708,047	3,175,944
Interest rate risk	4,046,132	3,691,440	4,587,657	4,046,132	3,691,440	4,587,657
	7,581,243	**7,399,487**	**7,763,601**	**7,581,243**	**7,399,487**	**7,763,601**
12 Months ending December 31, 2018						
Foreign exchange risk	3,490,083	3,698,072	3,175,978	3,490,083	3,698,072	3,175,978
Interest rate risk	9,104,303	10,023,585	9,237,195	9,104,303	10,023,585	9,237,195
	20,175,629	**21,121,144**	**20,176,774**	**12,594,386**	**13,721,657**	**12,413,173**

Stress test

Stress test provides an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the treasury department include: risk factor, stress testing where stress movements are applied to each risk category, emerging market stress testing, where emerging market portfolios are subject to stress movements and adhoc stress testing, which includes applying possible stress events to specific positions or regions - for example the stress outcome to a region following currency peg break. The results of the stress tests are reviewed by senior management in each business unit. The stress test is tailored to the business and typically uses scenario analysis.

Foreign exchange risk

The Group`s assets are typically funded in the same currency as the business transacted to eliminates foreign exchange exposures. However, the Group maintains an open position within the tolerance limities prescribed by BOU and approved by the board.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, Euro and GBP. The risk arises from future transactions, assets and liabilities in the statement of financial position date.

The intraday positions are managed by treasury through stop loss/dealer limits. End of day positions are marked to market.

The table below summarises the effect on post-tax profit and components of equity had the Uganda Shillings weakened by 10% against each currency, with all other variables held constant. If the Uganda Shilling strengthened against each currency, the effect would have been the opposite. The 10% sensitivity represents Director's assessment of the reasonable change in exchange rates.

Financial instrument	Effect on profit (decrease)		Effect on equity (decrease)	
	2019 USh'000	2018 USh'000	2019 USh'000	2018 USh'000
US Dollar	(501,644)	(876,727)	(501,644)	(876,727)
Euro	(153,568)	(267,358)	(153,568)	(267,358)
GBP	(280,345)	(91,294)	(280,345)	(91,294)
Others	(1,143,951)	(427,299)	(1,143,951)	(427,299)

Notes to the Consolidated and Separate Financial Statements

4. Financial risk management (continued)

Currency risk

The Group is exposed to currency risk through transactions in foreign currencies. The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

The significant currency positions are detailed below:

At December 31, 2019	EURO USh '000	USD USh '000	GBP USh '000	Others USh '000	Total USh '000
Assets					
Cash and balances with Bank of Uganda	1,707,590	9,694,287	140,080	335,321	11,877,278
Amounts due from overseas branches of parent company	3,922,147	1,760,778	3,274,933	794,442	9,752,300
Deposits and balances due from other financial institutions	-	297,221,345	10,593,000	-	307,814,345
Loans and advances to customers	-	533,657,148	-	-	533,657,148
Other assets	28,277	-	-	988,573	1,016,850
Total assets	**5,658,014**	**842,333,558**	**14,008,013**	**2,118,336**	**864,117,921**
Liabilities					
Customer deposits	5,379,306	853,334,743	14,164,689	33,427	872,912,165
Other liabilities	139,101	1,757,952	98,183	1,044,649	3,039,885
Total liabilities	**5,518,407**	**855,092,695**	**14,262,872**	**1,078,076**	**875,952,050**
Net balance sheet position	**139,607**	**(12,759,137)**	**(254,859)**	**1,040,260**	**(11,834,129)**
Off balance sheet net notional position	6,436,894	185,094,170	156,488	-	191,687,552
Overall position	**6,576,501**	**172,335,033**	**(98,371)**	**1,040,260**	**179,853,423**
At December 31, 2018					
Total assets	4,344,902	761,098,474	13,897,227	73,984	779,414,587
Total liabilities	4,344,902	761,098,474	13,897,227	73,984	779,414,587
Net balance sheet position	**-**	**-**	**-**	**-**	**-**
Net Off balance sheet position	3,882,643	172,847,363	149,499	-	176,879,505
Overall position	**3,882,643**	**172,847,363**	**149,499**	**-**	**(176,879,505)**

Notes to the Consolidated and Separate Financial Statements

4. Financial risk management (continued)

Exchange rates used for conversion of foreign items were:	2019	2018
US Dollar	3,665	3,710
GBP	4,815	4,746
Euro	4,108	4,238
INR	51	53
KSh	36	36

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or in different amounts. Risk management activities are aimed at optmizing net interest income, given market interest rates levels consistent with the Group's business strategies.

The Group is exposed to various risks associated with the effects of fluctuation in the prevailing levels of market interest rates on its financial position and cash flows. The management closely monitor the interest rate trends to minimise the potential aderve impact of interest rate changes.

The table below summarises the exposure to interest rate risk at the reporting date. Included in the table are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Group does not have any derivative financial instruments. The Group does not bear an interest rate risk on off balance sheet items.

At December 31, 2019	Up to 1 month USh '000	1 to 3 months USh '000	3 to 12 months USh '000	1 to 5 years USh '000	Over 5 years USh '000	Total USh '000
Assets						
Investment in Government securities	46,026,485	35,138,660	203,585,917	209,739,643	43,660,710	538,151,415
Amounts due from overseas branches of parent company	9,752,300	-	-	-	-	9,752,300
Deposits and balances due from other financial institutions	204,984,906	99,091,236	3,738,203	-	-	307,814,345
Loans and advances to customers	46,079,820	72,309,563	123,593,820	197,525,222	372,908,622	812,417,047
Total assets	**306,843,511**	**206,539,459**	**330,917,940**	**407,264,865**	**416,569,332**	**1,668,135,107**
Liabilities						
Other financial liabilities	3,787,009	-	-	-	-	3,787,009
Customer deposits	88,045,814	220,405,913	341,164,573	788,936,214	28,544	1,438,581,058
Total liabilities	**91,832,823**	**220,405,913**	**341,164,573**	**788,936,214**	**28,544**	**1,442,368,067**
Interest sensitivity gap	**215,010,688**	**(13,866,454)**	**(10,246,633)**	**(381,671,349)**	**416,540,788**	**225,767,040**
At December 31, 2018						
Total assets	421,552,554	184,816,172	340,891,917	356,205,026	376,981,355	1,680,447,024
Total liabilities	96,486,590	226,979,015	335,441,840	440,084,835	214,365,426	1,313,357,706
Interest sensitivity gap	**325,065,964**	**(42,162,843)**	**5,450,077**	**(83,879,809)**	**162,615,929**	**367,089,318**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. Management is of the view that the mismatch does not subject the Group to severe liquidity risks because maturities for all government securities and balances with overseas banks can be restructured in accordance with business demands.

Notes to the Consolidated and Separate Financial Statements

4. Financial risk management (continued)

The table below summarises the effective interest rates calculated on a weighted average basis, by major currencies for monetary financial assets and liabilities:

2019	USh	USD	GBP	EURO
Particulars				
Government Securities	13.33 %	- %	- %	- %
Other financial assets	10.25 %	2.29 %	0.45 %	1.06 %
Customer deposits	10.29 %	3.18 %	0.20 %	0.10 %

2018	USh	USD	GBP	EURO
Particulars				
Government Securities	12.57 %	- %	- %	- %
Other financial assets	9.12 %	1.73 %	0.29 %	1.01 %
Customer deposits	8.32 %	0.64 %	0.77 %	0.09 %

The Group has various financial assets and liabilities at variable rates, which expose the Group to cash flow interest rate risk.

The Group regularly monitors financing options available to ensure optimum interest rates are obtained.

Interest rate risk sensitivity

As at December 31, 2019, if the weighted average interest rate for loans and advances to customers and at that date had been 10% lower/higher with all other variables held constant, post-tax profit for the year would have been USh 11,383 million (2018: USh 11,112 million) lower/higher, arising mainly as a result of change in interest income.

As at December 31, 2019, if the weighted average interest rate for customer deposits and deposits from other banking institutions, at that date had been 10% lower/higher with all other variables held constant, post-tax profit for the year would have been USh 4,326 million (2018: USh 3,449 million) lower/higher, arising mainly as a result of change in interest expense.

The above is tried to be achieved by development of overall standards for the Group to manage the risk in the following areas:

- Segregation of duties including independent authorisation of transactions
- Monitoring and reconciliation of transactions
- Compliance of regulatory and legal requirement
- Documentation of control and procedure
- Assessment of the operational risk on a periodic basis to address the deficiencies observed, if any
- Reporting of operational losses and initiation of remedial action
- Development of contingency plan
- Giving training to staff to improve their professional competency
- Ethical and business standards
- Obtaining insurance wherever feasible, as a risk mitigation measure.

Risk measurement and control

Interest rate, currency, credit, liquidity and other risks are actively managed by management to ensure compliance with the Group's risk limits. The Group's risk limits are assessed regularly to ensure their appropriateness given its objectives and strategies and current market conditions. A variety of techniques are used by the Group in measuring the risks inherent in its trading and non-trading positions.

5. Operating segments

The major part of business of the Group, which is all within Uganda, falls under the category of banking, with other income comprising less than 2% of the total income of the Group. No segment information is therefore provided.

Notes to the Consolidated and Separate Financial Statements

Particulars	Group		Bank	
	2019 USh '000	2018 USh '000	2019 USh '000	2018 USh '000
6. Interest income				
Income from loans and advances	87,430,501	86,384,916	87,430,501	86,384,916
Income from treasury bonds	44,169,891	45,101,803	44,169,891	45,101,803
Income from treasury bills	17,834,307	18,395,915	17,834,307	18,395,915
Income earned from placements and repurchase agreements ("repos")	13,182,978	8,858,864	13,182,978	8,858,864
	162,617,677	**158,741,498**	**162,617,677**	**158,741,498**
7. Interest expense				
Time deposits	58,695,649	46,213,419	58,723,265	46,243,549
Savings accounts	2,712,429	2,477,617	2,712,429	2,477,617
Interbank borrowings	345,085	454,566	345,085	454,566
Current and demand deposits	21,298	94,048	21,298	94,048
	61,774,461	**49,239,650**	**61,802,077**	**49,269,780**
8. Non-interest income				
Fees and commission income	15,610,485	13,937,740	15,610,485	13,937,740
Recoveries in bad debts written off	13,806,461	15,292,585	13,806,461	15,292,585
Realised foreign exchange difference	3,519,774	3,570,544	3,519,774	3,570,544
Profit on sale of investments	3,866,373	2,062,191	3,866,373	2,062,191
Other income	447,190	2,127,630	346,164	1,980,819
Unrealised foreign exchange difference	63,347	3,653	63,347	3,653
Profit on sale of property, equipment and right-of-use asset	5,840	-	5,840	-
	37,319,470	**36,994,343**	**37,218,444**	**36,847,532**
9. Operating expenses				
Employee costs (note 10)	11,142,102	13,482,187	11,111,337	13,455,094
Bad debts written off	33,982,061	24,021,093	33,982,061	24,021,093
Other expenses	7,958,774	9,799,842	7,941,643	9,746,280
Administration and service level agreement fees	3,916,729	1,316,093	3,916,729	1,316,093
Depreciation, amortisation and impairments	2,583,021	1,450,843	2,582,783	1,450,561
Recycling of loss on disposal of investment at FVTOCI	1,953,713	-	1,953,713	-
Rents and rates	1,329,224	2,294,142	1,329,224	2,294,142
Advertising	514,829	817,701	514,829	817,701
Repairs and maintenance	372,113	684,955	372,113	684,955
Consulting and professional fees	230,181	385,803	230,181	385,803
Auditors remuneration - external auditors	231,633	326,153	221,255	318,733
Interest on lease liability	281,541	-	281,541	-
Directors' emoluments as executives	270,077	178,951	270,077	178,951
	64,765,998	**54,757,763**	**64,707,486**	**54,669,406**
10. Employee costs				
Salaries and wages	13,036,059	12,162,310	13,008,091	12,137,685
Other benefits	369,133	339,083	369,133	339,083
Employment benefits expenses	(2,263,090)	980,794	(2,265,887)	978,326
	11,142,102	**13,482,187**	**11,111,337**	**13,455,094**

Notes to the Consolidated and Separate Financial Statements

11. Taxation

Major components of the tax expense (income)

Current

Particulars	Group		Bank	
	2019 USh '000	2018 USh '000	2019 USh '000	2018 USh '000
Local income tax - current period	10,295981	2,967,118	10,274,914	2,941,168
Withholding tax ("WHT") on investment income	14,016,844	13,614,551	14,016,844	13,614,551
	24,312,825	**16,581,669**	**24,291,758**	**16,555,719**
Deferred				
Deferred tax	(6,464,929)	2,623,470	(6,464,901)	2,623,470
Arising from prior period adjustments	7,043,897	-	7,043,897	-
	578,968	**2,623,470**	**578,996**	**2,623,470**
	24,891,793	**19,205,139**	**24,870,754**	**19,179,189**
Reconciliation of the tax expense Reconciliation between accounting profit and tax expense.				
Accounting profit	70,253,632	92,688,598	70,183,502	92,600,014
Tax at the applicable tax rate of 30% (2018: 30%)	21,076,090	27,806,579	21,055,051	27,780,004
Tax effect of adjustments on taxable income				
Final tax (WHT) on investment income*	14,016,844	13,614,551	14,016,844	13,614,551
Tax on income subject to final WHT**	(17,479,315)	(19,049,941)	(17,479,315)	(19,049,316)
Arising from prior period errors	7,403,897	-	7,403,897	-
Expenses not deductible for tax purposes	234,277	(3,166,050)	234,277	(3,166,050)
	24,891,793	**19,205,139**	**24,870,754**	**19,179,189**

*Withholding tax, which is currently at 20% on below 10 years and 10% on 10 years and above on interest income from government securities (Treasury bills and bonds), is treated as final tax.

** Income not subject to tax relates to income earned on government securities that had already had withholding tax as a final tax.

Notes to the Consolidated and Separate Financial Statements

12. Cash and balances with Bank of Uganda

Particulars	Group		Bank	
	2019	2018	2019	2018
	USh '000	USh '000	USh '000	USh '000
Cash on hand	15,563,416	16,686,348	15,563,416	16,686,348
Balances with Bank of Uganda	165,345,486	147,708,471	165,322,719	147,575,661
	180,908,902	**164,394,819**	**180,886,135**	**164,262,009**

Balances with Bank of Uganda include the mandatory deposits which are advised fortnightly by the Central Bank based on the deposit balances held for the past two weeks. The amount advised includes cash and balances held with Bank of Uganda and this amount not available to finance the day to day activities of the Group. Balances in excess of the advised amount is however available to finance the Group's investment activities. As at December 31, 2019, the mandatory deposits were 8% of total deposits (2018: 8% of total deposits).

Repurchase agreements (repo) are borrowings/lending between the Group and Bank of Uganda ranging from one to three months at market interest rates. As at reporting date, the accrued interest receivable on the repurchase agreement with Bank of Uganda amounted to USh 822 millions (2018: USh 19 million) and this has been included together with principal balance advanced.

13. Investment in government securities

Held at fair value through other comprehensive income

Particulars	Group		Bank	
	2019	2018	2019	2018
	USh '000	USh '000	USh '000	USh '000
Treasury bills upto 364 days	189,217,486	200,026,568	189,217,486	200,026,568
Treasury bonds	317,523,873	288,349,972	317,523,873	288,349,972
Interest receivable	13,510,556	12,791,298	13,510,556	12,791,298
	520,251,915	**501,167,838**	**520,251,915**	**501,167,838**
Held at amortised costs				
Treasury bonds after 1 year	17,899,500	7,149,500	17,899,500	7,149,500
Total other financial assets	**538,151,415**	**508,317,338**	**538,151,415**	**508,317,338**

Notes to the Consolidated and Separate Financial Statements

13. Investment in government securities (continued)

Movement in investment in government securities

Reconciliation of financial assets at fair value through OCI at level 3 - Group and Bank - 2019

Particulars	Opening balance	Net gain/(loss) in fair valuation of securities	Addition / (deduction) (net)	Interest receivable	Closing balance
At fair value through OCI	501,167,838	(1,564,179)	7,137,700	13,510,556	520,251,915

Reconciliation of financial assets at fair value through OCI at level 3 - Bank and Group - 2018

Particulars	Opening balance	Net gain/(loss) in fair valuation of securities	Addition / (deduction) (net)	Interest receivable	Closing balance
At fair value through OCI	487,743,741	(18,946,539)	19,579,338	12,791,298	501,167,838

Government securities are categorised as assets held to maturity which are carried at amortised cost, available for sale which are fair valued through equity.

The weighted average effective interest rate on treasury bonds as at December 31, 2019 was 14.29% and on treasury bills 11.59% (2018: treasury bonds 13.77% and treasury bills 10.77%).

The weighted average effective rate of interest on local placements as at December 31, 2019 was 10.25% and foreign placements 2.29% (2018: local placements 9.12% and foreign placements 1.73%).

The Group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

As at the reporting date the Group pledged treasury bills of 91 days to USh 2,438.10 million (2018: USh 1,714.10 million) with Bank of Uganda

14. Amounts due from/(to) overseas branches of parent company

Particulars	Group		Bank	
	2019	2018	2019	2018
	USh '000	USh '000	USh '000	USh '000
Bank of Baroda, London - GBP	3,274,933	13,589,276	3,274,933	13,589,276
Bank of Baroda, Nairobi - KSh	227,968	79,731	227,968	79,731
Bank of Baroda, Mumbai - INR	566,474	(90,297)	566,474	(90,297)
Bank of Baroda, Brussels - Euro	3,922,147	4,313,153	3,922,147	4,313,153
Bank of Baroda, New York - US Dollar	1,760,778	18,959,032	1,760,778	18,959,032
	9,752,300	**36,850,895**	**9,752,300**	**36,850,895**

The weighted average effective interest rate on deposits due from overseas branches of parent company as at December 31, 2019 was 2.13% (2018: 1.73%).

15. Deposit and balances due from other financial institutions

Due from banking institutions in Uganda	88,464,069	17,961,270	88,464,069	17,961,270
Due from other financial institutions outside Uganda	219,350,277	195,866,674	219,350,277	195,866,674
	307,814,346	**213,827,944**	**307,814,346**	**213,827,944**

Notes to the Consolidated and Separate Financial Statements

16. Loans and advances to customers (net)

Particulars	Group 2019 USh '000	Group 2018 USh '000	Bank 2019 USh '000	Bank 2018 USh '000
Overdrafts	479,592,018	409,492,924	479,592,018	409,492,924
Term loans	332,615,379	354,250,851	332,615,379	354,250,851
Personal loans	209,650	361,418	209,650	361,418
Gross loans and advances to customers	812,417,047	764,105,193	812,417,047	764,105,193
Impairment allowance IFRS - 9	(8,150,077)	(6,916,354)	(8,150,077)	(6,916,354)
Loans and advances to customers net of impairment	**804,266,970**	**757,188,839**	**804,266,970**	**757,188,839**
Reconciliation of provision for impairment of loans and advances				
Opening balance	6,916,354	22,539,587	6,916,354	22,539,587
Day one adjustment IFRS 9	-	(13,413,752)	-	(13,413,752)
Impairment allowance	38,139,237	2,208,865	38,139,237	2,208,865
Recoveries/ upgrades	(2,923,453)	(644,559)	(2,923,453)	(644,559)
Amounts written off as uncollectable	(33,982,061)	(3,773,787)	(33,982,061)	(3,773,787)
	8,150,077	**6,916,354**	**8,150,077**	**6,916,354**

All impaired loans have been written down to their estimated recoverable amount. The aggregate carrying amount of impaired loans at December 31, 2019 was USh 10,176 million (2018: USh 16,397 million) on which provision of USh 8,150 million (2018: USh 6,916 million).

Advances to customers include loans to employees of USh 210 million (2018: USh 361 million). The weighted average effective interest rate on local currency loans and advances to customers as at December 31, 2019 was 17.35% (2018:19.73%) and 8.63% (2018: 8.95%) for foreign currency loans and advances

December 31, 2019	**Loans and advances Stage 1 Collective**	**Loans and advances Stage 2 Collective**	**Loans and advances Stage 3 Individual**	**Off balance sheet Stage 1 Collective**	**Total**
At start of the year	4,353,186	478,073	2,085,094	6,398,552	13,314,905
Charge/credit to profit and loss	2,971,496	(328,820)	(1,408,952)	1,909,332	3,143,056
At the end of year	**7,324,682**	**149,253**	**676,142**	**8,307,884**	**16,457,961**
December 31, 2018	**Loans and advances Stage 1 Collective**	**Loans and advances Stage 2 Collective**	**Loans and advances Stage 3 Individual**	**Off balance sheet Stage 1 Collective**	**Total**
At start of the year	4,569,236	138,253	4,418,346	5,139,240	14,265,075
Charge/credit to profit and loss	(216,050)	339,820	(2,333,251)	1,259,312	(950,169)
At the end of year	**4,353,186**	**478,073**	**2,085,095**	**6,398,552**	**13,314,906**
17. Other assets					
Clearing account		-	10,182	-	10,182
Others		3,768,263	3,459,928	3,583,907	3,231,342
		3,768,263	**3,470,110**	**3,583,907**	**3,241,524**

Notes to the Consolidated and Separate Financial Statements

18. Tax paid

Particulars	Group		Bank	
	2019 USh '000	2018 USh '000	2019 USh '000	2018 USh '000
Balance at beginning of the year	8,512,335	14,087,024	8,491,215	11,574,309
Current tax for the year recognised in profit or loss	(24,312,825)	(16,581,669)	(24,291,758)	(16,555,719)
Balance at end of the year	(822,637)	(8,512,335)	(806,301)	(8,491,215)
	(16,623,127)	**(11,006,980)**	**(16,606,844)**	**(13,472,625)**

19. Investment in subsidiary

	Country of Incorporation	% voting power 2019	% voting power 2018	Carrying amount 2019	Carrying amount 2018
Baroda Capital Markets (U) Limited	Uganda	100.00 %	100.00 %	40,000	40,000

Baroda Capital Markets (Uganda) Limited ("the Subsidiary") is principally engaged in brokerage of securities and shares traded on the Uganda Securities Exchange. The subsidiary is incorporated in Uganda under the Companies Act, 2012 as a limited liability company and is domiciled in Uganda.

The Group owns 100% equity shares (2018: 100% equity shares) of Baroda Capital Markets (U) Limited. The Group has the power to appoint and remove the majority of the Board of Directors of the subsidiary. The relevant activities of the subsidiary are determined by the Board of Directors of the subsidiary based on simple majority votes. The Directors of the Group have thus concluded that the Group has control over the subsidiary and therefore, it has been consolidated in these financial statements.

20. Deferred tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2018: 30%). The movement on the deferred income tax account is as follows:

Particulars	Group		Bank	
	2019 USh '000	2018 USh '000	2019 USh '000	2018 USh '000
Deferred tax asset (liability)	2,761,653	3,425,452	2,757,160	3,420,987
Reconciliation of deferred tax asset / (liability)				
At beginning of year	3,425,452	(2,277,169)	3,420,987	(2,281,634)
Taxable / (deductible) temporary difference movement on tangible fixed assets	(11,016)	147,719	(11,044)	147,719
Taxable / (deductible) temporary difference in change in fair value reserve	76,728	8,119,945	76,728	8,119,945
Taxable / (deductible) temporary difference in other provision	(43,080)	(4,444)	(43,080)	(4,444)
Taxable / (deductible) temporary difference movement in impairment allowance	6,521,419	(2,767,404)	6,521,419	(2,767,404)
Taxable / (deductible) temporary difference movement in foreign exchange difference	(2,394)	-	(2,394)	-
Taxable / (deductible) temporary difference movement in revaluation reserves	196,465	206,805	196,465	206,805
Prior period error	(7,401,921)	-	(7,401,921)	-
	2,761,653	**3,425,452**	**2,757,160**	**3,420,987**

Notes to the Consolidated and Separate Financial Statements

21. **Property, equipment and right-of-use assets**

Group	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	8,700,000	-	8,700,000	8,700,000	-	8,700,000
Buildings	13,067,409	(8,031,495)	5,035,914	13,067,409	(7,378,133)	5,689,276
Furniture and fixtures	7,345,333	(4,987,647)	2,357,686	7,103,568	(4,663,707)	2,439,861
Motor vehicles	1,194,430	(987,653)	206,777	1,153,180	(983,228)	169,952
IT equipment	5,575,060	(4,521,052)	1,054,008	5,303,218	(4,210,346)	1,092,872
Right-of-use assets *	11,011,002	(1,106,154)	9,904,848	-	-	-
Total	**46,893,234**	**(19,634,001)**	**27,259,233**	**35,327,375**	**(17,235,414)**	**18,091,961**

Bank	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Freehold land	8,700,000	-	8,700,000	8,700,000	-	8,700,000
Buildings	13,067,409	(8,031,495)	5,035,914	13,067,409	(7,378,133)	5,689,276
Furniture and fixtures	7,338,630	(4,982,407)	2,356,223	7,096,865	(4,658,676)	2,438,189
Motor vehicles	1,194,430	(987,653)	206,777	1,153,180	(983,228)	169,952
IT equipment	5,570,726	(4,516,775)	1,053,951	5,298,884	(4,206,097)	1,092,787
Right-of-use assets *	11,011,002	(1,106,154)	9,904,848	-	-	-
Total	**46,882,197**	**(19,624,484)**	**27,257,713**	**35,316,338**	**(17,226,134)**	**18,090,204**

Reconciliation of property, equipment and right-of-use assets - Group - 2019

Particulars	Opening balance	On IFRS 16 adoption	Additions	Disposals	Depreciation	Total
Freehold land	8,700,000	-	-	-	-	8,700,000
Buildings	5,689,276	-	-	-	(653,362)	5,035,914
Furniture and fixtures	2,439,861	-	244,231	(160)	(326,246)	2,357,686
Motor vehicles	169,952	-	109,950	(28,726)	(44,399)	206,777
IT equipment	1,092,872	-	354,574	-	(393,438)	1,054,008
Right-of-use assets *	-	11,011,002	-	-	(1,106,154)	9,904,848
	18,091,961	**11,011,002**	**708,755**	**(28,886)**	**(2,523,599)**	**27,259,233**

Reconciliation of property, equipment and right-of-use assets - Group - 2018

Particulars	Opening balance	Additions	Depreciation	Total
Freehold land	8,700,000	-	-	8,700,000
Buildings	6,342,638	-	(653,362)	5,689,276
Furniture and fixtures	2,685,071	93,113	(338,323)	2,439,861
Motor vehicles	212,441	-	(42,489)	169,952
IT equipment	1,081,291	376,193	(364,612)	1,092,872
	19,021,441	**469,306**	**(1,398,786)**	**18,091,961**

Notes to the Consolidated and Separate Financial Statements

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

Reconciliation of property, equipment and right-of-use assets - Bank - 2019

Particulars	Opening balance	On IFRS 16 adoption	Additions	Disposals	Depreciation	Closing balance
	Ush 000	Ush 000	Ush 000	Ush 000	Ush 000	Ush 000
Freehold land	8,700,000	-	-	-	-	8,700,000
Buildings	5,689,276	-	-	-	(653,362)	5,035,914
Furniture and fixtures	2,438,189	-	244,231	(160)	(326,037)	2,356,223
Motor vehicles	169,952	-	109,950	(28,726)	(44,399)	206,777
IT equipment	1,092,787	-	354,574	-	(393,410)	1,053,951
Right-of-use assets *	-	11,011,002	-	-	(1,106,154)	9,904,848
	18,090,204	**11,011,002**	**708,755**	**(28,886)**	**(2,523,362)**	**27,257,713**

Reconciliation of property, equipment and right-of-use assets - Bank - 2018

Particulars	Opening balance	Additions	Depreciation	Closing balance
	Ush 000	Ush 000	Ush 000	Ush 000
Freehold land	8,700,000	-	-	8,700,000
Buildings	6,342,638	-	(653,362)	5,689,276
Furniture and fixtures	2,683,159	93,113	(338,083)	2,438,189
Motor vehicles	212,441	-	(42,489)	169,952
IT equipment	1,081,163	376,193	(364,569)	1,092,787
	19,019,401	**469,306**	**(1,398,503)**	**18,090,204**

* Addition to right-of-use assets relate to property leases under IFRS : 16, which the Group adopted on January 1, 2019. Refer to note 1.2, 2 & 34 for details.

Changes in estimates

The Group reassesses the useful lives and residual values of items of property, equipment and right-of-use assets at the end of each reporting period, in line with the accounting policy and IAS 16 Property, plant and equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

22. Intangible assets

Group	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	Ush 000	Ush 000	Ush 000	Ush 000	Ush 000	Ush 000
Computer software	363,516	(234,472)	129,044	296,896	(175,051)	121,845

Bank	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	Ush 000	Ush 000	Ush 000	Ush 000	Ush 000	Ush 000
Computer software	363,516	(234,472)	129,044	296,896	(175,051)	121,845

Reconciliation of intangible assets - Group - 2019

	Opening balance	Additions	Amortisation	Closing balance
	Ush 000	Ush 000	Ush 000	Ush 000
Computer software	121,845	66,620	(59,421)	129,044

Notes to the Consolidated and Separate Financial Statements

22. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2018

	Opening balance	Additions	Amortisation	Closing balance
	Ush 000	Ush 000	Ush 000	Ush 000
Computer software	14,245	159,660	(52,060)	121,845
Reconciliation of intangible assets - Bank - 2019				
	Opening balance	Additions	Amortisation	Closing balance
Computer software	121,845	66,620	(59,421)	129,044
Reconciliation of intangible assets - Bank - 2018				
	Opening balance	Additions	Amortisation	Closing balance
Computer software	14,245	159,660	(52,060)	121,845
23. Share capital				
Authorised				
2,500,000,000 Ordinary shares of USh 10 each	25,000,000	25,000,000	25,000,000	25,000,000
Issued				
Ordinary	25,000,000	25,000,000	25,000,000	25,000,000
Treasury shares	(6,433)	(6,433)	-	-
	(6,433)	**(6,433)**	**-**	**-**

Treasury shares

Baroda Capital Markets (Uganda) Limited is wholly owned subsidiary of the Group. The subsidiary holds 259,962 shares of the Bank and these are carried at cost and classified as treasury shares on consolidation.

Notes to the Consolidated and Separate Financial Statements

24. Regulatory general credit risk reserve

Particulars	Group 2019 USh '000	Group 2018 USh '000	Bank 2019 USh '000	Bank 2018 USh '000
At start of the year	23,924,554	18,139,251	23,924,554	18,139,251
Transfer to collective impairment provisions	(19,157,963)	5,785,303	(19,157,963)	5,785,303
At end of the year	**4,766,591**	**23,924,554**	**4,766,591**	**23,924,554**
Provision as per FI Act 2004				
Specific provision	4,845,647	23,440,660	4,845,647	23,440,660
Genera provision	8,071,020	7,400,248	8,071,020	7,400,248
Sub-Total	**12,916,667**	**30,840,908**	**12,916,667**	**30,840,908**
Impairment allowance under IFRS 9	8,150,077	6,916,354	8,150,077	6,916,354
Regulatory Credit Risk Reserve as at December 31	4,766,590	23,924,554	4,766,590	23,924,554
Movement in Regulatory Credit Risk Reserve	**-19,157,963**	**5,785,302**	**-19,157,963**	**5,785,302**

The regulatory reserve represents an appropriation from retained earnings to comply with Bank of Uganda's Prudential Regulations. The balance in the reserve represents the excess of impairment provisions determined in accordance with the Prudential Regulations over the impairment provisions recognized in accordance with the Group's accounting policy. The reserve is non-distributable.

25. Other financial liabilities

Held at amortised cost

Bank of Uganda - Agriculture Credit Facility	1,786,653	3,186,520	1,786,653	3,186,520
Guaranty Trust Bank (Uganda) Limited	2,000,356	8,001,808	2,000,356	8,001,808
	3,787,009	**11,188,328**	**3,787,009**	**11,188,328**

The Government of Uganda through Bank of Uganda set up an Agricultural Credit Facility scheme for the purpose of supporting agricultural expansion and modernization in partnership with commercial banks. All eligible bank customers receive 50% financing from the Government of Uganda while the remaining 50% is provided by the Group. The outstanding balance as at December 31, 2019 was USh 1,787 million (2018: USh 3,186 million).

The weighted average effective rate of interest on foreign bank's borrowings as at December 31, 2019 was 2.00% (2018: 2.86%). The weighted average effective rate of interest on local bank's borrowings as at December 31, 2019 was 7.80% (2018: 8.18%).

26. Customer deposits

Current and demand accounts	258,236,979	214,290,661	258,499,741	214,365,426
Savings accounts	229,526,064	202,394,590	229,526,064	202,394,590
Time deposits	950,297,102	885,125,526	950,555,256	885,409,362
	1,438,060,145	**1,301,810,777**	**1,438,581,061**	**1,302,169,378**

27. Other liabilities

Unearned interest	10,687,228	7,308,253	10,687,228	7,308,253
Bills payable	421,748	352,425	421,748	352,425
Uncleared effects (net)	517,088	801,710	517,088	801,710
Others	8,126,410	10,197,843	8,031,969	10,074,905
Impairment allowance on financial instruments, contingent liabilities and commitments	8,307,885	6,398,551	8,307,885	6,398,551
Operating lease liability*	9,562,638	-	9,562,638	-
	37,622,997	**25,058,782**	**37,528,556**	**24,935,844**

Notes to the Consolidated and Separate Financial Statements

27. Other liabilities (continued)

*Lease liabilities represents the minimum lease payments under the lease, discounted at the incremental borrowing rate of the Group.

28. Retirement benefit obligation

	Group		Bank	
Carrying value	2019 USh '000	2018 USh '000	2019 USh '000	2018 USh '000
Gratuity	1,268,764	1,413,064	1,268,764	1,413,064
Movements for the year				
Opening balance	1,413,064	1,415,444	1,413,064	1,415,444
Additional provision made during the year	58,952	147,620	58,952	147,620
Paid during the year	(203,252)	(150,000)	(203,252)	(150,000)
	1,268,764	**1,413,064**	**1,268,764**	**1,413,064**

The gratuity is computed at 75% of the monthly salary last drawn by each employee multiplied by each completed year of service, subject to eligibility under the terms and conditions of the scheme. The Group accounts for retirement benefit obligation based on the liability that would accrue had all the employees of the Group been terminated/retired as at the reporting date.

29. Dividend payable

The proposed dividend for the year 2019 is USh 25,000 million (2018: USh 25,000 million). The dividend is at 100% of paid up share capital of USh 25,000 million (2018: 100% of paid up share capital of USh 25,000 million)

The payment of dividend is subject to withholding tax at 15% or the rates specified under the applicable double taxation agreements.

30. Analysis of cash and cash equivalents

Cash and balances with Bank of Uganda (note 12)	180,908,902	164,394,812	180,886,135	164,262,009
Cash reserve requirement	(107,100,000)	(99,470,000)	(107,100,000)	(99,470,000)
Government securities maturing within 90 days of the date of acquisition	189,217,486	200,026,568	189,217,486	200,026,568
Amounts due from overseas branches of parent company	9,752,300	36,850,895	9,752,300	36,850,895
Deposits and balances due from other banks (note 15)	307,814,346	213,827,943	307,814,346	213,827,943
	580,593,034	**515,630,218**	**580,570,267**	**515,497,415**

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

Banks are required to maintain a prescribed minimum balance with the Bank of Uganda the usage of which is subject to restrictions. The amount is determined as a percentage of the average outstanding deposits over a cash reserve cycle period of two weeks.

31. Off balance sheet financial instruments, contingent liabilities and commitments

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

Notes to the Consolidated and Separate Financial Statements

31. Off balance sheet financial instruments, contingent liabilities and commitments (continued)

Contingent liabilities

	Group		Bank	
	2019 USh '000	2018 USh '000	2019 USh '000	2018 USh '000
Acceptance and letters of credit	53,410,686	50,965,186	53,410,686	50,965,186
Letters of guarantees and performance bonds	67,500,413	50,696,769	67,500,413	50,696,769
Contingents secured by cash collateral	30,497,655	28,631,405	30,497,655	28,631,405
	151,408,754	**130,293,360**	**151,408,754**	**130,293,360**
Commitments				
Undrawn formal stand-by facilities, credit lines and other commitments to lend	178,284,123	145,961,162	178,284,123	145,961,162
	329,692,877	**276,254,522**	**329,692,877**	**276,254,522**

Refer to **note 27** for impairment allowance on off balance sheet financial instruments, contingent liabilities and commitments. Impairment allowance on off balance sheet items have been increased from USh 6,399 million to USh 8,307 million (2018: Nil to Ush 6,399 million) of the group

Nature of contingent liabilities

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, and reimbursement by the customer is normally immediate.

Contingent liabilities are secured by both cash and property collaterals.

Nature of commitments

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The Group may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

Foreign exchange forward contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

Notes to the Consolidated and Separate Financial Statements

32. Related parties

Holding company	Bank of Baroda, India
Subsidiaries	Baroda Capital Markets (Uganda) Limited
Associates	Bank of Baroda, London Bank of Baroda (Kenya) Limited, Kenya Bank of Baroda, Brussels Bank of Baroda, New york
Members of key management	Mr. Ashwini Kumar - Managing Director Mr. Manoj Kumar Bakshi - Executive Director Ms. Ann Tumwesigye Mbonye - Company secretary Mr. Wamayi Maurice - Internal auditor Mr. Krishnan Ragupathy - Head Administration Mr. Subhapratik Pradhan - Head Information technology Mr. Obong Silver - Head Compliance Mr. Vikash Sharma - Head treasury Mrs. Victoria Ocici - Head of risk management Ms. Nabakka Saidah, Ag. Financial Controller

Related party transactions

Administration fees paid to related parties

	Group		Bank	
	2019 USh '000	2018 USh '000	2019 USh '000	2018 USh '000
Bank of Baroda, India	3,916,729	1,316,093	3,916,729	1,316,093
Key management compensation				
Salaries and other short-term employment benefits	5,567,569	5,087,677	5,567,569	5,087,677
Directors' remuneration and benefits				
Directors' remuneration and benefits	270,077	178,951	270,077	178,951
Fees for services as a Director	32,600	37,483	32,600	37,483
Related party balances				
Amounts (due to) / from overseas branches of parent bank				
Bank of Baroda, India	566,474	(90,297)	566,474	(90,297)
Bank of Baroda, London	3,274,933	13,589,276	3,274,933	13,589,276
Bank of Baroda (Kenya) Limited, Kenya	227,968	79,731	227,968	79,731
Bank of Baroda, Brussels	3,922,147	4,313,153	3,922,147	4,313,153
Bank of Baroda, New York	1,760,778	18,959,032	1,760,778	18,959,032
Balance with/ (from) parent bank				
Bank of Baroda India Limited, India	217,998,822	111,748,941	217,998,822	111,748,941
Time deposit from related parties				
Baroda Capital Markets (Uganda) Limited	-	-	258,154	283,329

33. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year less shares of the Bank by its subsidiary, Baroda Capital Markets (Uganda) Limited.

Notes to the Consolidated and Separate Financial Statements

33. Earnings per share (continued)

	Group		Bank	
	2019 USh '000	2018 USh '000	2019 USh '000	2018 USh '000
Profit attributable to equity holders of the Bank	45,361,839	73,483,459	45,312,744	73,420,825
Weighted average number of ordinary shares in issue	2,240,038	2,240,038	2,240,038	2,240,038
Basic/Diluted earnings per share (USh)	20.25	32.80	20.23	32.78

34. Commitments

Authorised capital expenditure
Already contracted for but not provided for

• Property, equipment and right-of-use assets	7,800,000	7,436,000	7,800,000	7,436,000

Lease - IFRS - 16

The Group leases various branches and other premises under lease arrangements to meet its operational business requirements. Currently, the Group does not have any material subleasing arrangements. Right-of-use asset balances relate to property leases only.

The below table sets out a maturity analysis of lease liabilities, showing the lease payments to be paid after the reporting date.

	Undiscounted lease liabilities USh '000	Discounted lease liabilities USh '000	Undiscounted lease liabilities USh '000	Discounted lease liabilities USh '000
Not more than one year	1,695,205	1,563,666	1,695,205	1,563,666
1-2 years	1,185,516	1,068,050	1,185,516	1,068,050
2-3 years	1,167,901	1,013,377	1,167,901	1,013,377
3-4 years	1,208,256	1,003,820	1,208,256	1,003,820
4-5 years	1,216,415	975,757	1,216,415	975,757
5-10 years	4,588,984	3,205,115	4,588,984	3,205,115
Greater than 10 years	1,313,710	732,853	1,313,710	732,853
Total lease liabilities	**12,375,987**	**9,562,638**	**12,375,987**	**9,562,638**

Operating leases – as lessee (expense) - IAS 17

Minimum lease payments due

- within one year	-	136,004	-	136,004
- in second to fifth year inclusive	-	1,383,395	-	1,383,395
	-	**1,519,399**	**-**	**1,519,399**

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

35. Events after the reporting period

The financial statements were prepared based on management estimates and judgement as at the reporting date. Subsequent to year-end, there has been a coronavirus outbreak which may have a bearing on those estimates due to change in the business environment in which the Group operates. However, due to the high level of uncertainty resulting from the coronavirus outbreak, management is not in a position to determine its impact to those estimates at this moment.

36. Comparative figures

Previous year's figures have been reclassified/ regrouped in order to make them comparable with that of current financial period, wherever necessary.

BANK OF BARODA (UGANDA) LIMITED

Head Office : Kampala Road
P.O. Box 7197, Kampala (Uganda)

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting (AGM) of Bank of Baroda (Uganda) Ltd ("the Company") for the year ended December 31, 2019 will be held at 11:00 a.m. on Friday, September 18, 2020 online through electronic platform to transact the following business:-

AGENDA

ORDINARY RESOLUTIONS

1. CONFIRMATION OF THE MINUTES OF THE 49TH ANNUAL GENERAL MEETING

To consider and if deemed fit, confirm the minutes of the 49th Annual General Meeting of the Company held on June 27, 2019.

2. FINANCIAL STATEMENTS

To consider and if deemed fit, receive the separate and consolidated financial statement for the year ended December 31, 2019, report of the Board of Directors on the state of affairs of the Bank, together with the Auditors' report thereon.

3. DIRECTORS

To consider, and if deemed fit, ratify the appointment and re-appointment of Directors in accordance with the provisions of the Company's Articles of Association.

a) Appointment of Mr. Shanti Lal Jain as a Non-Executive Director on the Board of the Bank w.e.f. 19.07.2019.
b) Appointment of Dr. Mudumba Krishnama Chary as a Non-Executive Director on the Board of the Bank w.e.f. 27.03.2020.
c) Appointment of Mr. R.K. Meena as the Managing Director of the Bank w.e.f. 1.04.2020
d) Re-appointment of Mr. Manoj Kumar Bakshi as the Executive Director of the Bank w.e.f. 25.08.2020.

4. AUDITORS

To consider and if deemed fit, approve the appointment of Grant Thornton, Certified Public Accountants as the statutory Auditors of the Company for the period ending December 31, 2020 and approve their remuneration by the Board of Directors.

SPECIAL RESOLUTION

5. To consider and if deemed fit, pass a special resolution to amend the company's Articles of Association to include the conduct of the General Meetings in a Virtual and or Hybrid manner.

5.1 By inserting new article 49(A) (a)-(d) immediately after article 49 to read as follows;

49(A) (a) The Board may make arrangements to hold and conduct general meetings in a Virtual and or hybrid manner, in such a way that members attending the meetings in person and or attending by electronic means can attend, participate and vote at the meeting.

(b) A virtual general meeting is a meeting where shareholders are given the opportunity to attend the meeting using an online platform which allows them to vote, ask questions and participate in real time instead of attending the meeting at a physical venue.

(c) A hybrid general meeting is a meeting that allows shareholders to opt between attending the meeting in person at a physical venue or attending the meeting online (virtually).

(d) The Board may decide on the number of attendees for the physical place/venue provided alternative means are availed to members and proxies.

5.2 By amending article 55 to include the underlined and read as follows;

Article 55: No business shall be transacted at any general meeting unless a quorum be present when the meeting proceeds to business save as otherwise provided by these presents, three members present or **participating via electronic means** shall be a quorum for all purposes. A member shall be deemed for the purposes of this article to be present if represented by proxy or in accordance with the provisions of **section 146 of the companies Act No. 1 of 2012.**

6. ANY OTHER BUSINESS

To transact any other business that may be legally transacted in the meeting.

BY ORDER OF THE BOARD.

Ms. Anne Tumwesigye Mbonye
Company Secretary

Date: August 20, 2020

NOTES

Shareholders are urged to note the following important information regarding the Annual General Meeting:

Restrictions on public meetings

1. The World Health Organisation declared Covid-19 a pandemic on March 11, 2020 while Uganda confirmed its first case on March 22, 2020. The Government of Uganda has implemented measures aimed at controlling the spread of the virus including suspension on public gatherings and meetings. Members of the Company are therefore unable to convene physically to attend business ordinarily conducted at the Company's Annual General Meeting.

2. Given the restrictions in our Articles of Association, the Company filed an application in the High Court Civil Division on July 14, 2020 seeking for orders to proceed with the Annual General Meeting using electronic means as per the guidance issued by the Uganda Securities Exchange. The High Court Civil Division delivered its ruling and granted our application on July 17, 2020 subject to obtaining a prior no-objection from the Uganda Securities Exchange, complying with all applicable notices issued under the Uganda Securities Exchange Listing Rules 2003 and the Laws of Uganda.

3. The Company confirms it has obtained a "No Objection" from the Uganda Securities Exchange to hold its Annual General Meeting by electronic means.

AGM Registration and Access Information

4. The AGM will be hosted via the Lumi AGM platform. To access the voting platform download the Lumi AGM app or log on web.lumiagm.com
Shareholders with registered emails will receive the meeting ID and login credentials through email and mobile SMS.

5. Shareholders without emails in the Shareholder Register will be contacted via SMS on their registered mobile phone numbers and will be requested to avail their email addresses to our share registrar, SCD Registrars, at registry@use.or.ug

6. The Company's audited financial statements, annual report, AGM Notice and proxy form are uploaded on the banks website at www.bankofbaroda.ug

7. Bank of Baroda (Uganda) Limited shareholders may attend, speak and vote at the AGM, or appoint proxies (who need not be shareholders of the Company) to attend, speak and vote on behalf of such shareholders. Duly completed proxy forms should be returned to the Company Secretary at Bank of Baroda Head Office Plot 18, Kampala Road or via email to registry@use.or.ug not later than 11:00 am on September 17, 2020. In default of this, it shall be treated as invalid.

8. Shareholders and their proxies have the option to ask questions and vote on each of the resolutions in advance of the meeting. Questions and votes on the AGM resolutions can be submitted to registry@use.or.ug before close of business on Wednesday 16th September 2020.

Dividend information.

7. Due to uncertainties in the world and domestic economies caused by the current covid-19 pandemic, Bank of Uganda advised all Supervised Financial Institutions to defer the payment of all discretionary payments including dividends until further notice or until explicit authorization is given by Bank of Uganda. The Bank later sought authority from Bank of Uganda for payment of dividends for the year ended December 31, 2019 which was declined. In view of the above, the Board of Directors declined payment of dividend for the year ended December 31, 2019

8. Shareholders who have not received past dividends should send an email to registry@use.or.ug or call +256-3123708.

Securities Central Depository (SCD) Accounts

9. USE requires all listed companies to immobilize all shares that they hold in certificate form. Shareholders are advised to open Securities Central Depository (SCD) account with the assistance of any of the SCD Agents listed on the Uganda Securities Exchange website www.use.org to enable them continue to trade in shares.

Contact Details:

10. Company's Head Office
18, Kampala Road,
P.O. Box 7197
Kampala, Uganda
(Gen): +256-41-4237898

11. Share Registrar's Office

SCD Registrars
UAP Business Park
Plot 3-5, New Port Bell Road
Block A, Fourth Floor, North wing
P.O. Box 23442 Kampala
Tel: +256-3123708.

Proxy Form

Bank of Baroda (Uganda) Limited

PROXY FORM

I / We...

Of...

....being (a) member (s) of the above named company , hereby appoint..

....as proxy to vote for me/us and on my / our behalf at the 50th Annual General Meeting of the Company, to be held on the September 18, 2020 and at every adjournment thereof

As witness my / out hand(s) this...day of..2020

Share Certificate No..

....

Signature (s)

NOTE: This form should be deposited with the Company Secretary of the Bank within not later than 48 hours before the time of the meeting.

Bank of Baroda (Uganda) Limited

ADMISSION FORM

The Shareholder or his / her proxy must produce this admission form in order to obtain admission to the 50th Annual General Meeting.

Shareholders or their proxies are requested to sign the admission form before attending the meeting.

Signature of the person attending..

Share Certificate Number...