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LIST OF ACRONYMS

ACH	Automated Clearing House
AGM	Annual General Meeting
ATM	Automated Teller Machine
BALCO	Bank Asset and Liability Committee
BOBUL	Bank of Baroda Uganda Limited
BOU	Bank of Uganda
CBS	Core Banking System
CCF	Credit Conversion Factor
CCTV	Closed Circuit Television
CDF	Chief of Defence Forces
CGU	Cash Generating Unit
CPA	Certified Public Accountant
CRM	Credit Rist Management
CSR	Coporate Social Responsibility
CTS	Cheque Clearing Systems
DRS	Disaster Recovery Site
EAD	Exposure at Default
ECL	Expected Credit Loss
ED	Executive Director
EFT	Electronic Funds Transfer
EIR	Effective Interest Rate
FASSET	Fixed Assets
FI	Financial Institution
FUE	Federation of Uganda Emplyers
FVPL	Fair Value through Profit and Loss
FVTOCI	Fair Value Through Other Comprehensive Income
IAS	International Accounting Standards
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IPO	Initial Public Offer
LGD	Loss Given Default

LTECL	Life Time Expected Credit Losses
MD	Managing Director
NSSF	National Social Security Fund
NWSC	National Water and Sewerage Coorperation
POCI	Purchase or Originated Credit Impairement
RISCAT	Risk Category
RTGS	Real Time Gross Settlement
SCD	Securities Central Depository
SME	Small and Medium Enterprises
SMS	Short Messages
SPGRS	Standardized Public Grievance System Redress System
SPPI	Soully Payments of Principal and Interest
UGX	Uganda Shillings
URA	Uganda Revenue Authority
USD	US Dollar
USE	Uganda Security Exchange
Ush	Uganda Shillings
VAR	Value at Risk

ABOUT THIS REPORT

This is Bank of Baroda Uganda Limited's Annual report that covers the period 1st January 2020 to 31st December 2020. The report includes both financial and non-financial information. It has been presented with detailed information about who we are, where we are headed, articulating how the bank has effectively and efficiently managed to augment shareholder value and shared prosperity.

BOBUL is a subsidiary of Bank of Baroda India- which started its operations in India in 1908 and are now serving over 131 million customers across 19 countries. BOBUL has been serving the people of Uganda since 1953 through its network of 16 branches, 7 recyclers and 13 ATMs across the country.

GLOBAL MD & CEO'S MESSAGE

Your Bank has always strived to create milestones with each passing year and has contributed in further improving our banking experience with trust & transparency. We nurture the strong culture of collaborative growth, customer centricity & responsive corporate governance.

Dear Shareholders,

It is my pleasure to welcome you to the 51st Annual General Meeting of the shareholders of Bank of Baroda (Uganda) Limited, one of the most trusted and recognized Brands of Uganda. As we embark on Bank of Baroda (Uganda) Limited's 68th year in Uganda, your Bank has made a strong foothold with a robust customer base & excellent industry position. As a prominent Financial Player in Uganda, Bank has always proactively gauged the opportunities available in the market and could also calculate the risk embedded in these blemishing opportunities. Bank has been very thoughtful in fortifying its revenue generation channels by building a diversified business model that appropriately positions us to withstand the shocks associated with adverse changes in economic conditions. This makes your Bank unique among its competitors and creates a sustainable long term value proposition for our stakeholders.

Economy & Banking Sector

The year 2020 was a challenging year for all of us due to the pandemic of COVID 19. The Banking industry witnessed sluggish growth coupled with diminishing interest income. Uganda was also not an exception, as economic activities were almost stalled during 2020 due to domestic lockdown, border closure for all but essential cargo. This resulted in a sharp contraction in public investment and deceleration in private consumption, which subsequently hit the service sector and more particularly the Banks. However, the long-term outlook of the country is promising with FDI inflows expected to grow and the country can see a rebound in the Investments in Agriculture and Tourism. The recent oil exploration in the country would also be significant in maintaining the balance of trade in a longer context.

Performance of the Bank

The Bank displayed a strong Balance sheet for the year 2020 that excelled in almost all financial parameters. Total business of our Bank increased by 7.91%. The Gross Profit registered a growth of 50.05% while net profit increased by 83.67%. The total net worth has shown an increase of 14.68% i.e. an increase from Ush 394.90 Bn. to Ush 452.88 Bn. Your Bank has eventually become the 3rd highest profitable Banking Organization in Uganda. These figures are testimony of unflinching customer loyalty & extensive prospect of banking services in Uganda. The prudent business acumen of the management and dedication of our employees were critical in substantially adding values to this strong performance.

Achievements

I am happy to share that Year 2020 was an important milestone on the path of Bank of Baroda (Uganda) Limited as the Bank was adjudged the best Brands in East Africa by Superbrands for the 6th consecutive term of 2021/22. Bank has continued its efforts of connecting to the people and working on their expectation. The same attribute of the Bank was recognized & Bank was bestowed with 'People's Choice Best Commercial Bank' in Uganda.

Way Forward

The foremost aim of Bank of Baroda (Uganda) Limited as a subsidiary, has always been to add values to the experience of our customers and shareholders. In continuation of our endeavor to extend our footprints within the country, we are in process of launching our Agency Banking Channel. This will, on one hand, increase our penetration & reach in the remotest part of Uganda. On the other hand will give convenience to our customers for availing our Banking services. The Bank is also planning to open a new branch in border town of Arua, which will give us much needed presence in the north western part of Uganda. In its persistent efforts to leverage technology further, Bank has installed 7 Cash Recycler machines in different parts of the country. Bank constantly strive to adopt & implement latest technology in order to improve operational excellence, increase efficiency and create competitive advantage.

Your Bank has always strived to create milestones with each passing year and has contributed in further improving our banking experience with trust & transparency. We nurture the strong culture of collaborative growth, customer centricity & responsive corporate governance.

Acknowledgement

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 acknowledge the contribution of the Board, Management and all the staff members of Bank of Baroda (Uganda) Limited. I am confident that with their commitment and dedication the Bank will be able to post better results in 2021.

Yours truly,

Sanjiv Chadha
Global MD & CEO, Bank of Baroda

CHAIRPERSON'S STATEMENT

Our robust risk and compliance policies and increased business footprint are all a result of clarity of our strategy and focused leadership.

Dear Shareholders,

It is my honour and great pleasure to share with you Bank of Baroda (Uganda) Limited's performance for the financial year ended December, 2020.

How we entered year 2020

We entered year 2020 on a good note. The Bank as a whole made a strong foothold with a solid foundation, positioning itself strategically for opportunities that led to growth. Our strategy was clear, transparent and well understood. 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 serve.

The Ugandan Economy

The economy in the first half of 2020 experienced a slow down as a result of the lockdown, restrictions and sanctions due to the outbreak of the Covid-19 pandemic. But during the second half, the Ugandan economy started showing a positive outlook and continued to register impressive recovery and long term sustainability of the development strategies. Despite falling short of the predicted economic growth targets of 6.2% at the beginning of the FY2020/21, the economy achieved a 3% growth, which was a fine performance considering the economic challenges encountered as a result of the pandemic.

I am happy to state that the bank achieved a YOY growth of 7.91% in Total business, 9.98% in Total Deposits and 3.70% in Net Advances. Out of the total advances of 846.93 Billion shillings as at December 2020, the manufacturing sector constituted of 44.46% and the agriculture sector constituted of 25.98%, which was an increase from 38.97% and 27.52% respectively as at December 31, 2019. We continue to support the people of Uganda through financing priority areas of commercial agriculture, industries, services and ICT, leading to further expansion and growth of the economy

Technology and Innovation

The bank operated on a robust technology platform and provided various services through different technology based alternative delivery channels i.e. Mobile Banking, Internet Banking and Cash Recyclers. I am happy to report that we are in the final stages of rolling out Agent Banking. This will help to ensure our customers' safety, convenience and efficiency in carrying out banking transactions.

Corporate Governance

The bank is committed to good corporate governance and compliance with all applicable laws and regulations. This is evidenced in some of the recognitions like the People's Choice Award 2020 for the Best commercial Bank in Uganda.

Our robust risk and compliance policies and increased business footprint are all a result of clarity of our strategy and focused leadership.

In relation to this I would like to take this opportunity to thank Mr. Manoj Kumar Bakshi who served as the Executive Director and board member from August 2017 to March 2021. His contribution to the board and the bank was instrumental in the achievements of the bank.

I also take this opportunity to welcome Mr. Prithvi Singh Bhati who joined the bank on 25.03.2021 as the new Executive Director and board member. I am confident he will be a great asset to the board, management and bank in general.

Community Investment

Our commitment to corporate citizenship continues to be a priority. The bank extended its commitment to be part of the development of the society through its corporate social investment activities like provision of scholastic materials in schools, supporting education of needy children, supporting Ugandan children for heart surgery in India, blood donation drives and tree plantation in various parts of the country.

Bank of Baroda (Uganda) Limited rededicates its commitment to all its customers to render the highest standard of services and also to enhance the stakeholders value in the coming years.

I take this opportunity to thank the Board of Directors, the Management Team and all Bank Staff for putting up a spirited performance in 2020 in order to deliver on our promise to "augment shareholders value". I express my deep gratitude and sincere thanks to the Republic of Government of Uganda and all the officials of the Bank of Uganda for their guidance and support in strengthening the operations of Bank of Baroda (Uganda) Limited.

Yours truly,

Vastina Rukimirana Nsanze
Chairperson

MANAGING DIRECTOR'S STATEMENT

Overall 2020, was a great year for the bank in terms of performance as we witnessed growth in almost all major parameters albeit the challenges.

Dear Shareholders,

It is my pleasure to present you the performance of our bank for the financial year 2020. Our Bank's performance is a demonstration of great resilience, customer centrism and laser focused leadership in the midst of a volatile, uncertain, complex and ambiguous environment. The Covid-19 pandemic dealt a huge blow on the global and local economy. The Ugandan economy which had been projected to grow by 6.2% at the beginning of the year resiliently achieved a modest 3% GDP growth. This was majorly due to the lock down leading to a dip in business activity and employment. As a bank, we would like to take this opportunity to thank the health workers for all the hard work and sacrifice since the outbreak of the covid-19 pandemic, they have worked tirelessly, selflessly to ensure that the community is safe. We also grieve together with the families that lost their loved ones to Covid-19.

Financial Performance

Overall 2020, was a great year for the bank in terms of performance as we witnessed growth in almost all major parameters albeit the challenges. Our Profit after tax grew 83.67% from UGX 45.36 billion in 2019 to UGX 83.32 billion in 2020. We registered 14.04% growth in total assets to achieve the level of UGX 2,139 billion as at 31.12.2020 from UGX 1,876 billion as at 31.12.2019. Our stock performance has been remarkably good with the price being very stable. Let me share with you the key financial highlights of your bank for the financial year ended 31st December 2020:

- Total Deposits increased by UGX 142.74 Billion, showing a growth of 9.98% over the previous year, an increase from UGX 1,429.59 Billion as at 31.12.2019 to UGX 1,572.33 Billion as at 31.12.2020. This was majorly attributed to the number of account opening campaigns, launch and promotion of our alternative delivery channels like mobile banking and internet banking that made it easier for our customers to transact.
- Advances net of impairment increased by UGX 29.73 Billion showing a growth of 3.70% in 2020 to UGX 834.00 Billion from UGX 804.27 Billion in 2019. This was as a result of cautious decision of lending in sectors less affected by the pandemic like manufacturing and agriculture coupled with restructuring of advances in sectors severely affected by the pandemic like tourism, education and real estate.
- Total Business i.e. deposit plus Advances increased by UGX 177.25 Billion showing a growth of 7.91% over the previous year. In absolute terms the total business increased from UGX 2,242.01 Billion to UGX 2,419.26 Billion.
- Total income increased by 3.59% to UGX 207.11 Billion in 2020 from UGX 199.94 Billion in 2019.
- Our Balance Sheet size increased by 14.04% in 2020, to UGX 2,138.93 Billion from UGX 1,875.63 Billion in 2019 due to increase in investments, advances and profit.
- We recorded a slight increase in Gross NPA as the percentage to total Advances at 1.38% as on December 2020 compared to 1.25% as of December 2019 due to the negative impact of Covid-19 on some of our major sectors like tourism, education and real estate. However this remained below the industry average

of 6.19% implying a robust credit risk management framework.

- Return on Assets was at 4.18% as at 31.12.2020 from 2.54% in 2019. This was as a result of increased profitability.
- Return on Shareholders' Equity was at 19.00% as at 31.12.2020 from 11.90% in 2019. This was due to the increase in profitability.
- The Capital Adequacy Ratio (Tier 1) was 33.38% as on 31.12.2020 which was improved from 30.01% as at 31.12.2019. Total Capital Adequacy Ratio (Tier 1+ Tier 2) was 34.74% as at 31.12.2020 improved from 31.44% as on 31.12.2019. This shows the strength of our capital position as it consistently and significantly above the regulatory requirement of 10% for Tier 1 and 12 % for total capital.

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

COVID -19 and our commitment

As a bank we provided COVID-19 relief measures for our customers whose businesses were affected by the pandemic through making provisions for 12 months moratorium adjustments on loans. We had restructured 155 accounts totaling to UGX 157.80 Billion as on 31.12.2020 in order to help our clients deal with the economic shocks of the pandemic.

The Bank has also made a contribution of 10 million shillings towards the COVID-19 relief programs through the Indian Association of Uganda. We shall continue to support the causes using our Corporate Social Responsibility Budget.

We continued to support our staff by allowing for flexible working time including paid leave to reduce congestion at the workplace, provided transport services to and from their work place.

Digital innovation

Our digital channels provide a safe, convenient and efficient way for our clients to transact without visiting our branches. We replaced seven of our ATM machines with cash recyclers giving the client an opportunity to deposit, withdraw and carry out transactions at the machine 24 x 7. In addition to our mobile and internet banking platforms, the launch of Agent banking will bring our banking services right in the neighborhood of every Ugandan. The Bank constantly strives to adopt the latest technology in order to improve operational excellence, increase efficiency and create competitive advantage.

We enhanced our risk, compliance and Asset management through technology by enhancing our Core Banking System provisions. This improved the bank's internal processes in terms of efficiency and effectiveness hence delivering more value. For example the RISKCAT provision is effective in identifying and classifying account as per their risk category. The FASSET menu helps in managing physical asset stock and providing for depreciation at any point in time hence reducing instances of under valuing or overvaluing of bank assets.

Conclusion

Being the oldest Bank in Uganda, we have had to go through some tough times due to various economic factors. It is the memory of that resilience and belief in the human capabilities that gives us hope that even this pandemic shall be defeated and together with our shareholders and all stakeholders we shall come out better and stronger.

I place on record my sincere thanks to the Board, Management Team and all Staff Members for their tireless efforts in serving our customers and creating shareholder value through Care, Concern and Competence.

I take this opportunity to place my sincere thanks and gratitude to the Government of the Republic of Uganda, Bank of Uganda and other stakeholders for their valuable guidance and continued support in strengthening the operations of the Bank.

I extend my good wishes to each one of you.

Yours Sincerely

R K Meena
Managing Director

BOARD OF DIRECTORS AS ON JUNE 14, 2021

A Mrs Vastina Rukumirana Nsanze
Chairperson

B Mr. Raj Kumar Meena
Managing Director

C Mr. Prithvi Singh Bhati
Executive Director

D Mr Shanti Lal Jain
Director

E Mr Sempijja Thadeus
Director

F Dr. Fred Kakongoro Muhumuza
Director

G Mudumba Krishnama Chary
Director

H Mr Odotch charles Langoya
Director

BARODA'S BELIEF

Trust, Transparency and Togetherness

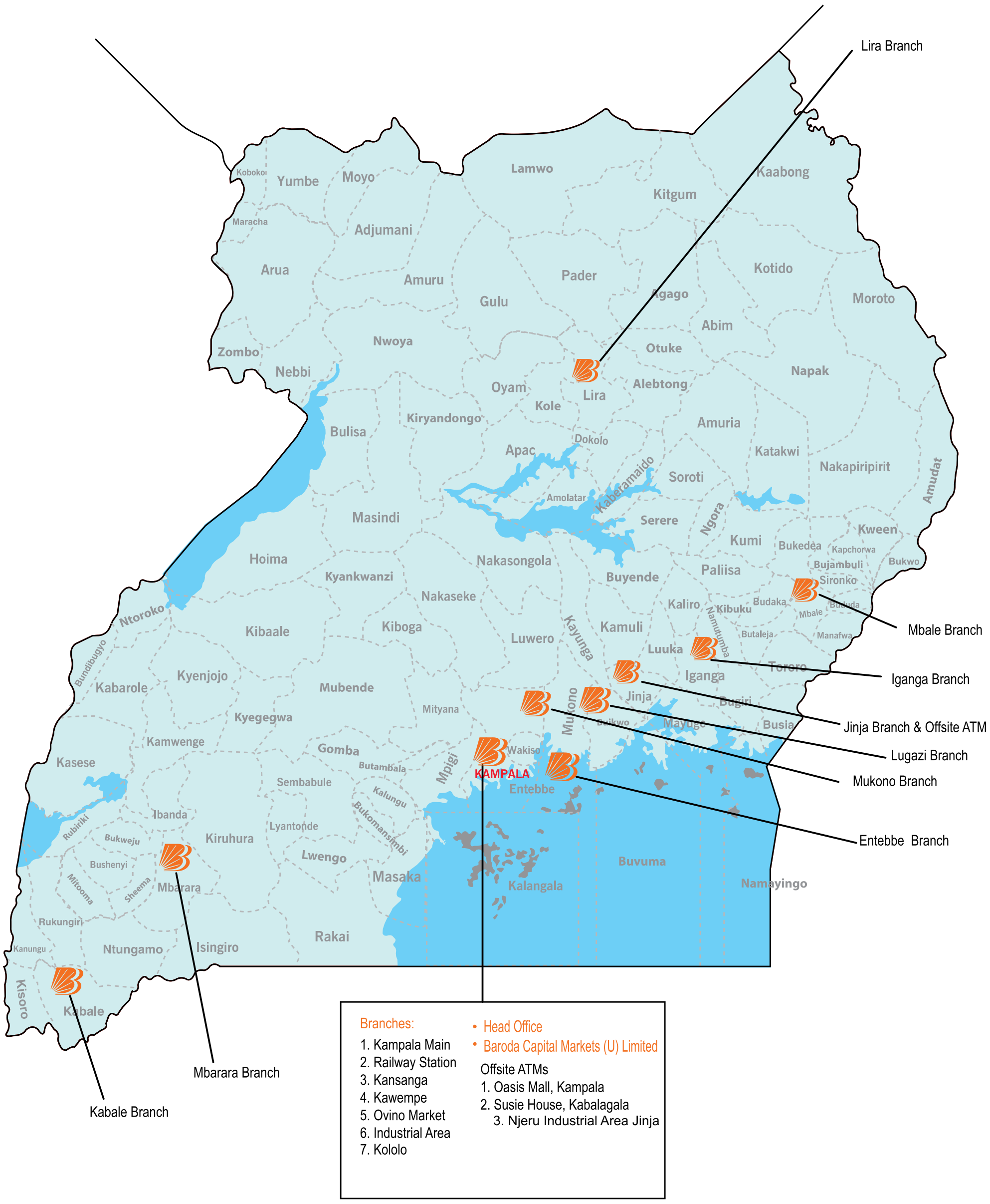
MOTTO FOR THE YEAR 2020

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 2020

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

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 the 49% shareholding of Government of Uganda on June 7.1999 to comply with the privatization programme of Government of Uganda. In the year 2002, in compliance with Government of Uganda guidelines, 20% of the shares were divested to the general public becoming the first bank in Uganda to be listed on the Uganda Securities Exchange.

Issuance of Bonus Shares

Bank of Uganda, vide Circular No GOV.122.10 dated 10th December 2010, advised all the Commercial Banks to build up its minimum paid up capital unimpaired by losses to Ugx 10 billion by March 1, 2011 and up to USh Ugx 25 Billion by March 01, 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 Ugx 4 Billion to Ugx 25 Billion. The Paid-up Share Capital was increased from Ugx 4 Billion to Ugx 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 Ugx 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 also paid on these Bonus Shares.

Branch Network and Alternative delivery channels

Presently the bank has 36 outlets comprising of 16 branches and 20 ATMs, all the 16 branches have onsite ATMS. Kampala main has 2 onsite ATMs. Bank has 3 offsite ATMs located at Oasis mall- Kampala, Suzie House- Kabalagala and Industrial Area Njeru. In addition to that we also have other alternative delivery channels like Mobile banking, internet banking, VISA enabled Debit cards, cash recyclers and Agent banking which allow unlimited hustle free convenient banking to our customers.

- 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.
- Software for carrying out regular valuation 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 robust 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 31.12.2020 is 208 consisting of 184 local staff and 24 expatriates.
- Bank recruited 17 new staff, ie 3 Officers, 3 supervisors, 10 clerks and 1 Driver.
- 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 onthe notice board.

❖ We have a fully equiped Training Centre located at Head Office – Kampala wherein extensive in-house training programes are conducted by senior management staff and external facilitators. During the year 2020, we conducted -9- in-house training programmes attended by -202- participants,

Cake cutting ceremony during the celebrations of the 113th Foundation day of the bank's Parent bank

❖ During the year 2020, we also deputed 202 staff to 49 external training programmes conducted by Uganda Banker's Association, Uganda Institute of Banking & Financial Services, Asian Banker's Association, Dow Jones Risk and Compliance, Financial Intelligence Authority, CPA Uganda Institute of Corporate Governance of Uganda, VISA and Bank of Uganda

❖ 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.

Corporate Social Responsibility

Bank of Baroda (Uganda) Ltd. 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)

Board Members at the 50th AGM held on 18th September 2020.

As part of Bank's contribution to the community we have been planting 1300 trees every year in coordination with National Forest Authority in Mpigi District of Uganda. Further, our bank has also been arranging Blood Donation Camps at regular intervals in different parts of the country. In addition we have also conducted free Eye Sight saving camps at Jinja & free Health Checkup camp in Mukono.

We organized a Blood donation camp at our branch in Kansanga , it was at the 113th foundation day celebration of the parent bank on 20th July 2020.

The bank has also maintained good relationship with all our support vendors and is guided by its Outsourcing policy. Bank has been regularly reviewing the work rendered by vendors and have been giving them actionable feedback. In order to bring more transparency to the structure the Outsourcing policy is regularly modified by considering current market norms.

In our constant endeavor to cement our relationship with esteem customers, the Bank participated in various activities conducted by different Associations based in Uganda such as the East Indian Cultural Association (EICA), Kerala Samajam, Lohana community, Patidar Samaj etc. The members of these communities are our esteemed customers and our participation in their community function further strengthen our bond.

KNOW YOUR BANK (continued)

Corporate Social Responsibility (continued)

Vigilance awareness week from 27th October to 2nd November 2020.

The CDF of the Uganda People's Defense force, handing over a certificate of appreciation to the MD- Bank of Baroda Uganda Ltd.

People's choice quality award 2020.

Inauguration of Blood donation camp organized by the Bank.

Tree planting initiative in Mpigi - 20th July 2020.

PRODUCTS & SERVICES OFFERED BY THE BANK:

The Bank offers 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/-)
- Baroda Salary Savings Bank Account (Min. initial Deposit Ugx. 500,000) with freebies.

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

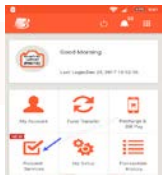
1. Fixed Deposits for different tenures starting from 3 months to 36 months
2. Baroda Flexi Recurring Deposit from 12 months to 36 months

Agent Banking

Transact with our Agents accross the country

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 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 Ugx & USD)

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
5. Salary Loans
6. Housing Loans
7. Loan Against Future Rent receivables
8. Education Loan

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. Baroda also avails 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, 2020

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, 2020

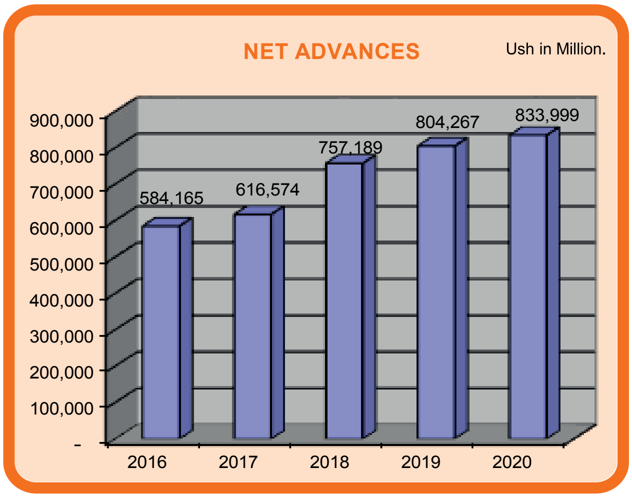
Sr.	Shareholders	No. of Shares	%
1	Bank of Baroda India	1,999,998,750	79.99
2	Mr. Sudhir Ruparelia	62,527,250	2.50
3	Dfcu Bank Limited	62,500,000	2.50
4	National Social Security Fund	54,456,103	2.09
5	King Ceasor Augustus Mulenga	45,563,703	1.82
6	Maheshway PurUShottam	25,000,000	1.00
7	Dr. Joseph Byambara 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

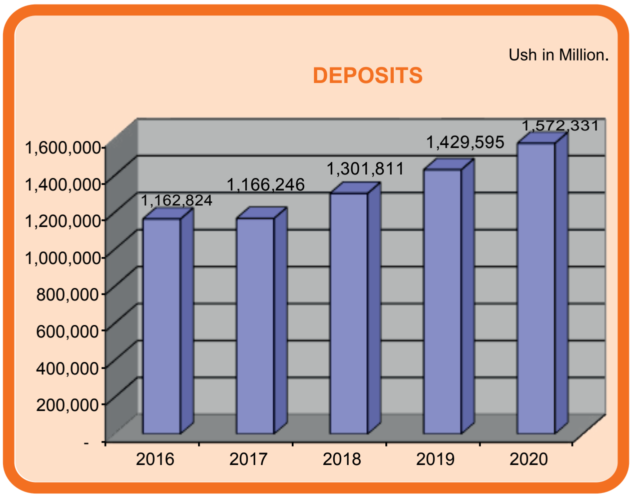
Consolidated Financial Performance for the last 5 years

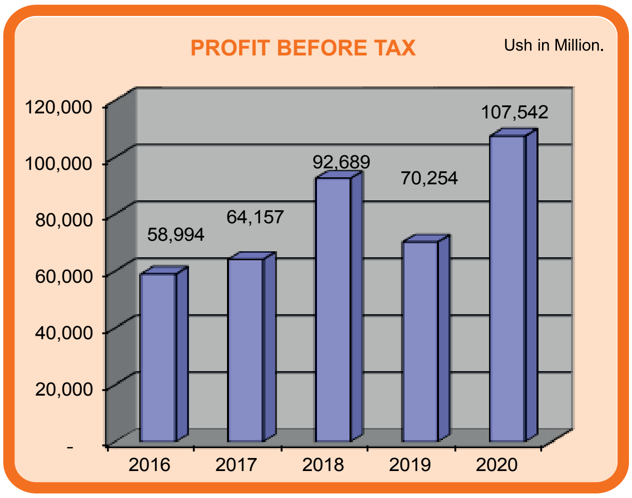
	2016	2017	2018	2019	2020
	USh 000	USh 000	USh 000	USh 000	USh 000
Capital	25,000	25,000	25,000	25,000	25,000
Reserves	252,487	305,465	349,731	369,896	427,878
Deposits	1,162,624	1,166,246	1,301,811	1,429,595	1,527,331
Advances (Gross)	607,807	639,114	764,105	812,417	846,928
Total Business*	1,770,631	1,805,360	2,065,916	2,242,012	2,374,259
Investments	474,5887	500,406	508,317	538,151	737,499
Profit for the year	49,247	49,406	73,483	45,362	83,317
Basic / Diluted Earnings per Share (USh)	19.70	19.76	32.80	20.25	34.95
Dividend per share (USh)	2.50	7.50	10.00	10.00	10.00

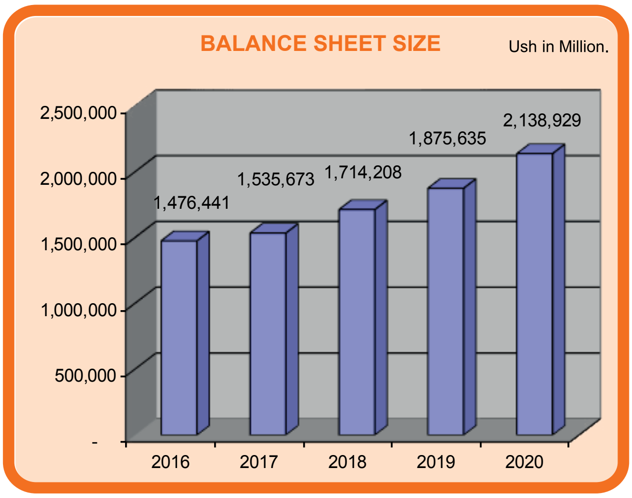
* Advances + Deposit

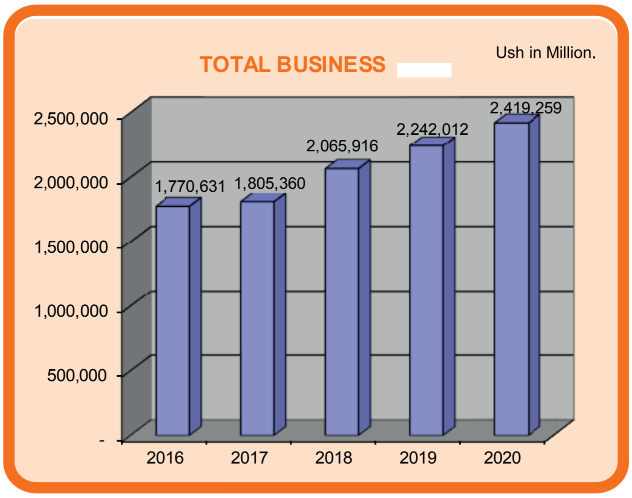
Growth at a glance

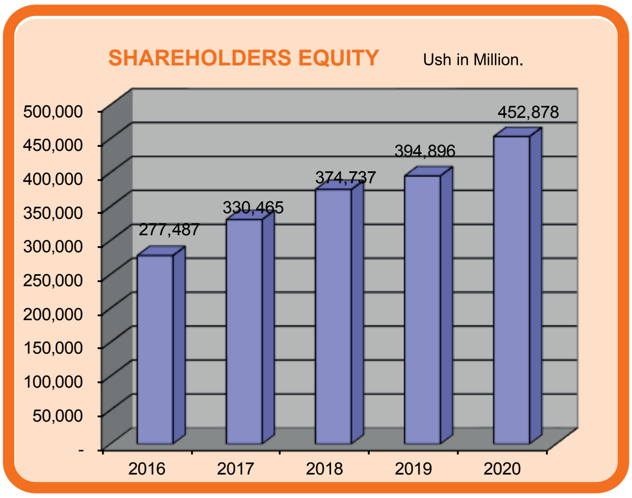












Subsidiary

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. 12.2020	31. 12.2019
Operating income	29,719	128,642
Operating expenses	110,842	73,512
Profit before tax	(81,123)	55,130
Taxation	8,640	(16,539)
Profit for the year	(72,483)	38,591

Statement of Financial Position (Ush '000)

Particulars	31.12.2020	31.12.2019
Assets		
Property and Equipment	1,318	1,520
Deposit with regulators	105,000	105,000
Deferred tax	19,744	4,493
Other financial Asset	394,091	369,095
Trade and other receivables	2,881	16,675
Cash and cash equivalents	332,084	298,476
Tax recoverable	25,503	20,836
Total Asset	880,621	**816,095**
Liabilities		
Trade and other payables	86,206	22,109
Amounts due to releted parties	182,344	116,043
Total Liabilities	268,550	**138,152**
CAPITAL EMPLOYED		
Ordinary share capital	40,000	40,000
Retained earning	572,071	653,369
Fair value reserve	-	(15,426)
Total Equity and Liabilities	880,621	**816,095**

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 31.12. 2020

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	COMMERCIAL BANKING ACTIVITIES	
DIRECTORS	Mrs Vastina Rukumirana Nsanze	Chair Person*
	Mr. Raj Kumar Meena	Managing Director**
	Manoj Kumar Bakshi	Executive Director**
	Mr Shanti Lal Jain	Non Executive Director**
	Mr Sempijja Thadeus	Non Executive Director*
	Dr Fred Kakongoro Muhumuza	Non Executive Director*
	Mr Odotch Charles Langoya	Non Executive Director*
	Mudumba Krishnama Chary	Non Executive Director**
CHIEF OFFICERS / EXECUTIVES	Mr. Raj Kumar Meena	Managing Director**
	Manoj Kumar Bakshi	Executive Director**
	Ms. Nabakka Saidah	Ag financial Controller*
	Mr. Krishnan Ragupathy	Head Administration**
	Mr. Subhapratik Pradhan	Incharge Information Technology**
	Mr. Obong Silver	Incharge Compliance*
	Mr. Vikash Sharma	Incharge Treasury**
	Mrs. Victoria Ocici	Head Risk Management*
	Mbaziira Francis	Acting Head Internal Audit*
	Shaminah Namukuve Kakaire	Head Human resources*
BOARD CREDIT COMMITTEE	Mudumba Krishnama Chary	Chair Person**
	Mr. Raj Kumar Meena	Managing Director**
	Manoj Kumar Bakshi	Executive Director**
	Mr Sempijja Thadeus	Non Executive Director*
BOARD AUDIT COMMITTEE	Dr Fred Kakongoro Muhumuza	Chair Person*
	Mr Odoch Charles Langoya	Director*
BOARD RISK MANAGEMENT COMMITTEE	Mr Odoch Charles Langoya	Chair Person*
	Mr. Raj Kumar Meena	Managing Director**
	Mr. Prithvi Singh Bhati	Executive Director**
BOARD ASSET AND LIABILITIES COMMITTEE	Mr. Raj Kumar Meena	Chair Person**
	Mudumba Krishnama Chary	Director**
	Dr Fred Kakongoro Muhumuza	Director*
BOARD HUMAN RESOURCE AND COMPENSATION COMMITTEE	Mr Sempijja Thadeus	Chair Person*
	Mr Shanti Lal Jain	Director**
	Mudumba Krishnama Chary	Director**

*Ugandan

**Indian

PROFILE OF BOARD OF DIRECTORS

Mrs. Vastina Rukimirana Nsanze
Chairperson

Mrs. Vastina Rukimirana Nsanze was appointed as Director of the Bank for a period of three years with effect from 04.05.2018 and re-appointed for further 3 years. She holds a Bachelor of Laws (LLB) from Makerere University, a Certificate in Legislative Drafting from Commonwealth Secretariat/Commonwealth Fund for Technical Co-operation (CFTC), Nairobi, Kenya and a Certificate in Legislative Drafting from the Commonwealth Secretariat attained at the Institute of Legislative Drafting in Canberra, Australia. She was born on 24.01.1946. Mrs. Nsanze is also a member of Commonwealth Association of Legislative Counsel, an Advocate of courts of Judicature of Uganda. She has versatile experience in the drafting of laws and agreements and has good knowledge in the legal field.

Mr. Shanti Lal Jain was appointed as Director of the Bank with effect from 19.07.2019. He holds a Masters Degree in Commerce with professional qualification of Chartered Accountancy from the Institute of Chartered Accountants of India. He is an Associate Member of the Institute Company Secretaries of India and Certified Associate of Indian Institute of Banking & Finance. He was born on 01.01.1965. Mr. Jain is currently holding the post of Executive Director Bank of Baroda, India. He has vast experience of 28 years in the field of Banking Operations, Credit operations, Trainings, Inspection & Audit and International Operations at various positions and assignments as Chief Financial Officer, Chief Risk Officer and General Manager IT and Field General Manager in Allahabad Bank and Bank of Baroda India.

Mr. Shanti Lal Jain
Director

Mr. Raj Kumar Meena
Managing Director

Mr. Raj Kumar Meena was appointed as Managing Director with effect from 01.04.2020. He holds a Bachelor's degree in Commerce, a Post Graduate with Executive MBA in Human Resource Management and is also a Certified Associate of the Indian Institute of Banking and Finance. He was born on 01.03.1968. Mr. Meena joined Bank of Baroda, India on 01.06.1992. He has a rich and varied banking experience of 29 years in various capacities and functional areas such as Regional Head, Assistant General Manager State Level Bankers Committee, Chief Manager Regional Business Development, Chief Manager Branch Operations, Training Center Head, Lead District Manager and Branch Head in India before taking up his present assignment as Managing Director.

PROFILE OF BOARD OF DIRECTORS

Mr. Bhati Prithvi Singh
Executive Director

Mr. Bhati Prithvi Singh was appointed as Executive Director with effect from 25.03.2021. He holds a Bachelor's of Science degree, CAIIB. He was born on 22.06.1978. Mr Bhati has a rich banking exposure having worked with Bank of Baroda India for the last 22 years in various functional areas such as Banking Operations, Retail Credit and Agriculture Credit. He has served in different capacities such as Head Special Mortgage Store, Chief Manager, Branch Head, Head Cashier among others.

Mr. Sempijja Thadeus was appointed as Director of the Bank for a period of three years with effect from 16.03.2018 and reappointed for further 3 years.

He holds a Master's Degree in Business Administration, a Bachelor of Science degree in Applied Accounting, Post Graduate Diploma in Accounting and Finance, UDBS, a Diploma in Accounting and a certificate in Risk Management. He is a Chartered Certified Accountant (ACCA), Certified Public Accountant (CPA), Certified Fraud Examiner (CFE), Certified Forensic Investigation Professional (CFIP) and Certified Professional Forensic Accountant (CPFA). He was born on 21.11.1976. Mr. Sempijja currently holds the post of Manager Internal Audit, National Planning Authority Kampala. He has good experience in the field of Accounting, Auditing & Investigation.

Mr. Sempijja Thadeus
Director

Dr. Fred Kakongoro Muhumuza
Director

Dr. Fred Kakongoro Muhumuza was appointed as Director of the Bank for a period of three years with effect from 22.11.2018. He holds a PhD from University of Manchester UK, Certificate in Development Evaluation-Carleton University/World Bank, Master of Arts (Economic Policy and Planning) and a Bachelor of Science (Economics) from Makerere University. He was born on 14.01.1968. He has conducted Regulatory Impact Assessment for a number of Government Ministries, Agencies and Civil Society. He has also supported the development of the Strategic Plan for Financial Sector deepening Uganda - a DFID funded financial inclusion project in Uganda. He is a member of Expanded Board of National Planning Authority Uganda and has had a parallel teaching career for over 25 years at Makerere University (School of Economics), Nkumba University, Africa Bible University and Kyambogo University Kampala.

PROFILE OF BOARD OF DIRECTORS

Mr. Odoch Charles Langoya
Director

Mr. Odoch Charles Langoya was appointed as Director of the Bank for a period of three years with effect from 08.01.2019. He holds a Bachelor's degree in Development Studies (Hon). Post Graduate Diploma in Financial Management and a Masters in Management Studies. He was born on 15.06.1967. Mr. Odoch is currently working as Global Partner East Africa at the Strategy Management Group DBA Balanced Score card Institute, Cary NC. He possesses vast experience in the field of Tax administration and Strategy Management.

Dr. Mudumba Krishnama Chary was appointed as Director of the Bank with effect from 27.03.2020. He holds a Doctorate (Honories Cause) in Banking & Finance, Master Degree in Business Administration, Master of Commerce, Bachelor's degree in Commerce, Bachelor of Law, Post Graduate Diploma in Rural Banking & Cooperation and Post Graduate Diploma in Personnel Management and Industrial Relations. He was born on 11.07.1961. Dr. Chary is currently holding the post of General Manager and Head Integration Management Office (IMO) at Corporate Office, Mumbai with Parent Bank. He has vast experience of 38 years in the field of Banking Operations, Credit, Business Development and International Banking at various positions and assignments in India and overseas with Bank of Baroda.

Dr. Mudumba Krishnama Chary
Director

Mrs. Anne Tumwesigye Mbonye
Company Secretary

Mrs. Anne Mbonye is the Company Secretary of the Bank. She was appointed with effect from 27th January, 2018. She is an Advocate of the High Court & all courts subordinate. Mrs. Anne holds a Bachelors of Law degree from Makerere University post graduate diploma from the Law Development Centre and a Masters in Law Degree from the University of Cape Town, South Africa.

Mrs. Anne is a member of the Uganda Law Society, East Africa Society and of the Institute of coporate governance.

CORPORATE INFORMATION

REGISTERED OFFICE	Bank of Baroda (Uganda) Limited Plot 18, Kampala Road, PO Box 7197 Kampala, Uganda
COMPANY SECRETARY	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 Kampala, Uganda

CORPORATE INFORMATION

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

BRANCHES

Kampala
Plot 18
Kampala Road
PO Box 7197
Kampala, Uganda

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

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

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

Kansanga
Plot No. 70 / 378
3, KM Gaba Road, Kansanga
PO Box 7467
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. 486, 488 & 489
Bombo Road
Kawempe
PO Box 7820
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
Kibira Road
PO Box 73446
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
Plot 101/102, Lugazi
PO Box 113
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 Boards to fulfil the 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 Personnel and Administration 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 2020 is detailed below:

Name of Director	Q1	Q2	Q3	Q4
Mrs VastinaRukimirana Nsanze	AP	A	A	A
Mr Ashwini Kumar	A	N/M	N/M	N/M
Mr Raj Kumar Meena	N/M	A	A	A
Mr Manoj Kumar Bakshi	A	A	A	A
Dr. Fred Muhumuza Kakongoro	A	A	A	A
Mr Sempijja Thadeus	A	A	A	A
Mr. Odoch Charles Longoya	A	A	A	A
Mr. Shanti Lal Jain	A	A	A	A
Dr Mudumba Khrishnama Chari	N/M	A	A	A
Mr. Rajnesh Sharma	A	N/M	N/M	N/M

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 challenge 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 auditors, 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 recurring of such incidences. 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 Muhumuza Kakongoro	A	A	A	A
Mr. Odoch Charles Longoya	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 3.

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	N/M	N/M	N/M
Mr Ashwini Kumar	A	N/M	N/M	N/M
Mr Manoj Kumar Bakshi	A	A	A	A
Mr Sempijja Thadeus	A	A	A	A
Mr Raj Kumar Meena	N/M	A	A	A
Dr Mudumba Khrishnama Chari	N/M	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 adminstrative matters within the Bank. The committeeoversees 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
Dr Mudumba Khrishnama Chari	N/M	A	A	A
Mr. Shanti Lal Jain	A	A	A	A
Mr Rajneesh Sharma	A	N/M	N/M	N/M

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

CORPORATE GOVERNANCE STATEMENT

Board Risk Management Committee

The Board is ultimately responsible for risk management. The main purpose of the committee is to provide independent andobjective 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 Raj Kumar Meena	N/M	A	A	A
Mr Manoj Kumar Bakshi	A	A	A	A
Mr. Odoch Charles Longoya	A	A	A	A
Mr Ashwini Kumar	A	N/M	N/M	N/M

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

Board Assets and Liabilities Committee

The Asset and Liability Committee of the Board ("BALCO") was established to assist the Board of Directors by assessing the adequacy and monitoring the implementation, of the Group and the Bank's Asset 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 Raj Kumar Meena	N/M	A	A	A
Dr Mudumba Khrishnama Chari	N/M	A	A	A
Dr. Fred Muhumuza Kakongoro	A	A	A	A
Mr Ashwini Kumar	A	N/M	N/M	N/M
Mr Rajneesh Sharma	A	N/M	N/M	N/M

CORPORATE GOVERNANCE STATEMENT

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.

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 Committeemeetings. 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 Capital 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 throughout 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	**Mr. Raj Kumar Meena**
Chairperson	**Managing Director**

Prithvi Singh Bhati - 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, 2020.

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. Share capital

			2020	**2019**
Authorised			Number of shares	
Ordinary shares			2,500,000,000	2,500,000,000
	2020	**2019**	**2020**	**2019**
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.

3. Dividends

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

4. 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.

5. Group response to COVID-19

The spread of COVID-19 has severely impacted businesses around the globe. The Government of Uganda on March 18, 2020 announced a nationwide lock down with immediate effect. Like many other countries, there has been severe disruption to regular business operation due to lock downs, disruptions in transportation, supply chain, travel restrictions, quarantines, social distancing and other emergency measures in Uganda.

The Group has made a detailed assessment of its liquidity position for the next financial year and has critically assessed the assumptions used, recoverability and carrying values of its assets comprising of property, plant and equipment, trade receivables and liabilities as at reporting date, and has concluded that no material adjustments are required in the financial statements.

The management has taken into account all the possible impacts of events that could arise from the outbreak of COVID-19 pandemic, in the preparation of the financial statements including the entity's ability to continue as a going concern. The impact assessment of COVID-19 is a continuing process, given the uncertainties associated with its nature

DIRECTORS' REPORT

6. Directorate

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

Directors	Nationality	Changes
Vastina Rukimirana Nsanze	Ugandan	
Ashwini Kumar	Indian	Resigned on March 31, 2020
Raj Kumar Meena	Indian	Appointed on April 1, 2020
Manoj Kumar Bakshi	Indian	Resigned on March 24, 2021
Prithvi Singh Bhati	Indian	Appointed on March 25, 2021
Shanti Lal Jain	Indian	
Rajneesh Sharma	Indian	Resigned on March 27, 2020
Sempijja Thadeus	Ugandan	
Fred Kakongoro Muhumuza	Ugandan	
Odoch Charles Langoya	Ugandan	
Mudumba Krishnama Chary	Indian	Appointed on March 27, 2020

7. Directors' interests in shares

As at December 31, 2020, Raj Kumar Meena 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 30 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 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 3.**

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$/USh 3,665 in the month of January 2020 and the same averaged at US$/USh 3,717 during the year and closed at US$/USh 3,649 by end of December 2020.

The Bank complied with the minimum core capital ratio and total capital ratio requirements, which are 33.38% and 34.74% 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 achieving 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. It is 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, 3 Supervisors, 10 Banking Assistants and 1 Drivers/office assistance have been recruited. A promotion exercise is still under process and will be completed soon.

13. Information technology

With effect from February 25, 2008, the Bank installed Banking Software (Finacle) which was developed by InfosysTechnologies Limited. All branches and alternative delivery channels of the Bank are connected to Finacle, the Core Banking System. The Bank 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 was implemented in 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. Rapids fund transfer to India through alternate delivery channels and website re-designing went live in year 2019. Funds transfer to other Banks through internet banking, E-meeting for paper-less board meeting Contactless VISA card and cardless cash withdrawal from ATM facility was launched in 2019. Seven Cash recyclers were installed in place of ATM & integration of ASCROM in CBS completed during FY 2020. Agency banking & up-gradation of CBS version 7 to version 10 are expected to be completed in year 2021. Continued focus on leveraging technology has resulted in process efficiencies and enhanced customer convenience.

DIRECTORS' REPORT

14. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report which requires adjustments to or disclosures in the accompanying financial statements.

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 Anne Tumwesigye Mbonye of:

Business address:	PO Box 7197 Kampala, Uganda

17. Approval of financial statements

The annual report and consolidated and separate financial statements set out on pages 20 to 68, which have been prepared on the going concern basis were approved by the board of directors on ______________________.

____

Anne Tumwesigye Mbonye

Company Secretary

Date:______________________

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 20 to 68, which have been prepared on the going concern basis, were approved by the Board of Directors on ______________________ and were signed on its behalf

by:

______________________ ________

Vastina Rukimirana Nsanze
Chairperson

______________________ ________

Raj Kumar Meena
Managing Director

______________________ ________

Prithvi Singh Bhati
Executive Director

Date: ______________________

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 20 to 68, which comprise the consolidated and separate statement of financial position as at December 31, 2020, 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 accompanying 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, 2020, 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 ('ISAs'). 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 matter

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. This matter was 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 this matter.

Key audit matter	How the matter was addressed in the audit
Impairment allowance on 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 Directors. Directors' judgements and estimates which are especially subjective to audit due to significant uncertainty associated with the assumptions used in the estimation in respect of the timing and measurement of expected credit losses (ECL) include: • Allocation of loans and advances to stage 1, 2, or 3 on a timely basis using criteria in accordance with IFRS 9 considering the impact of COVID-19 and related government support measures, such as payment deferrals, reduction in the Prime Lending Rate, etc.; • Modelling assumptions and data used to build and run the models that calculate the ECL considering the impact of COVID-19 on model performance and additional data to be considered in the ECL calculation;	Our audit procedures included understanding and testing of the design and operating effectiveness of the key controls over the following: a) Controls over approving, recording and monitoring of loans and advances; b) Controls over the allocation of loans and advances to stages; and c) The governance process of loans downgrading,including the continuous re-assessment of the appropriateness of assumptions used in for determining the impairment allowance. • Our testing of the design and operating effectiveness of the controls provided a basis for us to continue with the planned nature, timing and extent of our audit procedures. • Our procedures to assess Directors' provision for impairment allowance, in response to elevated inherent risk in impairment allowance on loans and advances to customers included the following: a) We obtained an understanding of the Bank's credit policy and evaluated the processes for identifying impairment indicators and consequently, the grading of loans for

INDEPENDENT AUDITORS' REPORT

Key audit matter	How the matter was addressed in the audit
• There are significant judgements involved in the determination of parameters used in development of probability of default (PD), loss given default (LGD),effective interest rate, credit rating, classification and the evaluation in the context of COVID-19 with regards to whether the model can sufficiently capture the nonlinearity of expected credit losses and appropriately generate a wide range of possible outcomes; and • Appropriateness, completeness and valuation of post model adjustments and COVID-19 specific risk event overlays given the increased uncertainty and less reliance on modelled outputs increasing the risk of management override. Loans and advances to customers contributed 38.99% of total assets of the Bank. The loan portfolio and characteristics of the same differ, therefore requiring a different approach in the assessment for impairment allowance by Directors. Bank'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. Given the combination of inherent subjectivity in the significant judgment areas mentioned above, and the material nature of the impairment allowance balance, we considered this to be a key audit matter in our audit of the financial statements.	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 Directors' 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 Directors' calculation of the impairment allowances to check the accuracy and completeness of data captured in the ECL model; d) We re-computed Directors' calculation to assess that the Bank maintained general allowances on total credit exposure net of collateral and impairment allowances in accordance with the Financial Institutions (credit classification and provisioning) Regulation, 2005; e) We challenged Directors' 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; h) We involved our IT specialists in the areas that required specific expertise for confirming accuracy and completeness of the data used for ECL model; i) We performed an overall assessment of the ECL provision by stages to determine if they were reasonable by considering the overall credit quality of the Bank's portfolios,risk profile of individual customer, impact of COVID-19 including geographic considerations and high risk industries.We also assessed the effect of government support measures (e.g., payment deferrals) on the allowance for impairment on loans and customer advances. Our assessment also included the evaluation of the macroeconomic environment by considering post COVID-19 trends in the economies and industries to which the Bank is exposed; and j) We assessed the adequacy and appropriateness of disclosures in the financial statements. Based on our review, we found that the Bank's impairment methodology, including the model, assumptions and key inputs used by Directors to estimate the amount of loan

INDEPENDENT AUDITORS' REPORT

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
	impairment losses were comparable with historical performance, prevailing economic situations and IFRS. Our testing of models and assumptions used in the model,there were some instances of over and under estimations. We aggregated these differences and were satisfied that the estimate made in the impairment allowance on loans and advances were reasonable. The COVID-19 adjustment on the ECL as at year end was reasonable. Overall, we did not identify any exceptions that would result in material misstatement to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises of informations on pages 2 to 16.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 notexpress 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.

INDEPENDENT AUDITORS' REPORT

- 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 Uday Bhalara - P0474.

Uday Bhalara
P0474

Grant Thornton
Grant Thornton
Certified Public Accountants

Date: ____________________________

Place: Kampala, Uganda

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Bank	
	Note(s)	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Interest income	5	170,294,953	162,617,677	170,294,953	162,617,677
Interest expense	6	(58,331,885)	(62,056,002)	(58,346,080)	(62,083,618)
Net interest income		**111,963,068**	**100,561,675**	**111,948,873**	**100,534,059**
Non interest income	7	36,810,517	37,319,470	36,794,993	37,218,444
Operating expenses	8	(38,644,671)	(64,484,457)	(38,552,763)	(64,425,945)
Impairment allowance on financial assets	15	(2,587,394)	(3,143,056)	(2,587,394)	(3,143,056)
Profit before taxation		**107,541,520**	**70,253,632**	**107,603,709**	**70,183,502**
Taxation	10	(24,224,076)	(24,891,793)	(24,232,716)	(24,870,754)
Profit for the year		**83,317,444**	**45,361,839**	**83,370,993**	**45,312,748**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Loss on fair valuation of investment in shares (net of tax)		-	(6,479)	-	-
Items that are or may be reclassified to profit or loss					
Net loss on government securities at FVTOCI - net change in fair value (net of tax)		(5,594,507)	(1,564,179)	(5,594,507)	(1,546,633)
Net gain on government securities at FVTOCI - reclassified to profit or loss (net of tax)		5,230,813	1,367,600	5,230,813	1,367,600
Other comprehensive (loss) for the year		**(363,694)**	**(203,058)**	**(363,694)**	**(179,033)**
Total comprehensive income		**82,953,750**	**45,158,781**	**83,007,299**	**45,133,715**
Earnings per share					
Basic and diluted earnings per share (USh)	31	34.95	20.25	34.97	20.23

The notes on pages 25 to 68 are an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

		Group		Bank	
	Note(s)	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Assets					
Cash and balances with Bank of Uganda	11	127,286,020	180,908,902	127,256,890	180,886,135
Investment in government securities	12	737,498,611	538,151,415	737,498,611	538,151,415
Amounts due from overseas branches of parent company	13	10,936,367	9,752,300	10,936,367	9,752,300
Deposit and balances due from other financial institutions	14	393,154,012	307,814,346	393,154,012	307,814,346
Loans and advances to customers (net)	15	833,998,928	804,266,970	833,998,928	804,266,970
Other assets	16	3,435,166	3,768,263	3,430,694	3,583,907
Current tax receivable	17	1,331,750	822,637	1,306,247	806,301
Investments in subsidiary	18	-	-	40,000	40,000
Deferred tax	19	2,198,427	2,761,653	2,178,683	2,757,160
Property, equipment and right-of-use assets	20	28,913,224	27,259,233	28,911,906	27,257,713
Intangible assets	21	176,044	129,044	176,044	129,044
Total Assets		**2,138,928,549**	**1,875,634,763**	**2,138,888,382**	**1,875,445,291**
Equity and Liabilities					
Equity					
Share capital	22	25,000,000	25,000,000	25,000,000	25,000,000
Treasury shares	22	-	(6,433)	-	-
Other reserves		7,745,084	6,149,880	7,745,084	6,174,217
Proposed dividend		25,000,000	25,000,000	25,000,000	25,000,000
Retained earnings		395,133,119	338,752,401	394,542,116	338,105,684
		452,878,203	**394,895,848**	**452,287,200**	**394,279,901**
Liabilities					
Other financial liabilities	24	19,831,511	3,787,009	19,831,511	3,787,009
Customer deposits	25	1,572,331,133	1,429,594,726	1,572,968,177	1,430,128,588
Other liabilities	26	92,743,163	46,088,416	92,656,955	45,981,029
Retirement benefit obligation	27	1,144,539	1,268,764	1,144,539	1,268,764
Total Liabilities		**1,686,050,346**	**1,480,738,915**	**1,686,601,182**	**1,481,165,390**
Total Equity and Liabilities		**2,138,928,549**	**1,875,634,763**	**2,138,888,382**	**1,875,445,291**

The consolidated and separate financial statements on pages 20 to 68, were approved by the Board of Directors on ________________________ and were signed on its behalf by:

Vastina Rukimirana Nsanze
Chairperson

Raj Kumar Meena
Managing Director

Prithvi Singh Bhati
Executive Director

Anne Tumwesigye Mbonye
Company Secretary

The notes on pages 25 to 68 are an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

Particulars	Share capital	Treasury shares	Regulatory general credit risk reserve	Revaluation reserve	FVTOCI Reserve	Proposed dividend	Retained earnings	Total equity
	USh '000	USh '000	USh '000	USh '000	USh '000	USh '000	USh '000	USh '000
Group								
Balance at January 1, 2019	**25,000,000**	**(6,433)**	**23,924,554**	**9,168,377**	**(7,132,246)**	**25,000,000**	**298,772,015**	**374,726,267**
Total comprehensive income for the year								
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 (net of tax)	-	-	-	-	(1,564,179)	-	-	(1,564,179)
Recycling of government securities at FVTOCI (net of tax)	-	-	-	-	1,367,600	-	-	1,367,600
Transactions with owner of the Bank								
Dividend paid	-	-	-	-	-	(25,000,000)	-	(25,000,000)
Dividend proposed	-	-	-	-	-	25,000,000	(25,000,000)	-
Balance at December 31, 2019	**25,000,000**	**(6,433)**	**4,766,591**	**8,709,958**	**(7,302,332)**	**25,000,000**	**338,750,236**	**394,918,020**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	83,317,444	83,317,444
Transfer to regulatory reserves (net of tax)	-	-	2,370,059	-	-	-	(2,370,059)	-
Transfer of excess depreciation on revaluation (net of tax)	-	-	-	(435,498)	-	-	435,498	-
Transfer to investment fluctuation reserves	-	-	-	-	(5,594,507)	-	-	(5,594,507)
Recycling of government securities at FVTOCI (net of tax)	-	-	-	-	5,230,813	-	-	5,230,813
Transactions with owner of the Bank								
Dividend payable	-	-	-	-	-	(25,000,000)	-	(25,000,000)
Dividend proposed	-	-	-	-	-	25,000,000	(25,000,000)	-
Sale of treasury shares	-	6,433	-	-	-	-	-	6,433
Balance at December 31, 2020	**25,000,000**	**-**	**7,136,650**	**8,274,460**	**(7,666,026)**	**25,000,000**	**395,133,119**	**452,878,203**

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital USh '000	Treasury shares USh '000	Regulatory general credit risk reserve USh '000	Revaluation reserve USh '000	FVTOCI Reserve USh '000	Proposed dividend USh '000	Retained earnings USh '000	Total equity USh '000
Bank								
Balance at January 1, 2019	**25,000,000**	**-**	**23,924,554**	**9,168,377**	**(7,123,299)**	**25,000,000**	**298,176,554**	**374,146,186**
Total comprehensive income for the year								
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
Transactions with owner of the Bank								
Dividend paid	-	-	-	-	-	(25,000,000)	-	(25,000,000)
Dividend 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**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	83,370,993	83,370,993
Transfer to regulatory reserves (net of tax)	-	-	2,370,059	-	-	-	(2,370,059)	-
Transfer of excess depreciation on revaluation (net of tax)	-	-	-	(435,498)	-	-	435,498	-
Transfer to investment fluctuation reserves (net of tax)	-	-	-	-	(5,594,507)	-	-	(5,594,507)
Recycling of government securities at FVTOCI (net of tax)	-	-	-	-	5,230,813	-	-	5,230,813
Transactions with owner of the Bank								
Dividend payable	-	-	-	-	-	(25,000,000)	-	(25,000,000)
Dividend proposed	-	-	-	-	-	25,000,000	(25,000,000)	-
Balance at December 31, 2020	**25,000,000**	**-**	**7,136,650**	**8,274,460**	**(7,666,026)**	**25,000,000**	**394,542,116**	**452,287,200**
Note(s)	22	22	23					

The notes on pages 25 to 68 are an integral part of these consolidated and separate financial statements·

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

		Group		Bank	
	Note(s)	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Cash flows from operating activities					
Interest receipts		186,859,361	165,922,527	186,859,361	165,826,266
Interest payments		(58,826,481)	(62,380,664)	(58,826,481)	(62,380,664)
Net fees and commission receipts		18,838,014	16,504,855	18,806,966	16,504,855
Other income received		13,581,663	6,210,054	13,597,187	6,177,673
Recoveries on loans previously written off		6,068,414	13,806,461	6,068,414	13,806,461
Payments to employees and suppliers		(38,872,899)	(63,581,640)	(38,872,899)	(63,581,640)
Changes in working capital:					
Loans and advances to customers (net)		(48,883,759)	(48,311,854)	(48,883,759)	(48,311,854)
Cash reserve requirement		(12,550,000)	(7,630,000)	(12,550,000)	(7,630,000)
Investment in government securities		6,126,041	(39,923,901)	6,126,041	(39,923,901)
Other assets		291,911	(886,177)	332,243	(686,676)
Customer deposits		146,842,806	135,018,111	146,842,806	135,018,111
Other financial liabilities		16,044,502	(7,401,319)	16,044,502	(7,401,319)
Other liabilities		16,179,401	(408,300)	16,184,749	(381,872)
		251,698,974	**106,938,153**	**251,729,130**	**107,035,440**
Tax paid	17	(23,926,256)	(16,259,594)	(23,921,589)	(16,246,844)
Net cash from operating activities		**227,772,718**	**90,678,559**	**227,807,541**	**90,788,596**
Cash flows from investing activities					
Purchase of property, equipment and right-of-use assets		(1,081,142)	(708,755)	(1,081,142)	(708,755)
Sale of property, equipment and right-of-use assets		600	59,631	600	59,631
Purchase of intangible assets		(133,950)	(66,620)	(133,950)	(66,620)
Net cash used in investing activities		**(1,214,492)**	**(715,744)**	**(1,214,492)**	**(715,744)**
Cash flows from financing activities					
Dividends paid		-	(25,000,000)	-	(25,000,000)
Proceeds from sale of treasury shares		41,186	-	-	-
Net cash from financing activities		**41,186**	**(25,000,000)**	**-**	**(25,000,000)**
Net change in cash and cash equivalents for the year		**226,599,412**	**64,962,815**	**226,593,049**	**65,072,852**
Cash and cash equivalents at the beginning of the year		580,593,033	515,630,218	580,570,267	515,497,415
Total cash and cash equivalents at end of the year	28	**807,192,445**	**580,593,033**	**807,163,316**	**580,570,267**

The notes on pages 26 to 29 are an integral part of these consolidated and separate financial statements.

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, 2020 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 USE.

The separate financial statements for the year ended December 31, 2020 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 have been rounded to the nearest thousand, unless otherwise indicated.

These accounting policies are consistent with the previous period.

1.2 Critical judgements and key 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 Critical judgements and key 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 equipment and right-of-use assets

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.

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 was 2.75% p.a for US dollar lease liabilities and 15.10% p.a for Uganda Shilling lease liabilities.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1.2 Critical judgements and key 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 December 31,2020. 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 aredealt 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;
- foreign currency non-monetary items that are not measured at fair value are not retranslated; 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, except for buildings which are stated at revalued amounts less accumulated depreciation and any accumulated impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

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 / reducing balance 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1.6 Impairment of non-financial assets (continued)

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.

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 benefits

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 plan

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. The calculation of defined benefit obligations is performed annually at the end of reporting period. The Group accounts for the retirement benefit obligation based on the liability that would accrue had all the employees of the Group been terminated or retired at the end of each reporting period. Cost related to defined benefit plans are recognised in profit or loss. Remeasurements are recognised in profit or loss in the period in which they arise.

The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs, if any.

1.9 Leases

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1.9 Leases (continued)

- 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.

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.

i) As a lessee

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.

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 rifht-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, adnd adjustmed 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, discouted using the interest rate implicit in the lease or, if that rate connot 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 mearsurement 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 opetional 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 mreasured at amortised cost using the effective interet method. It is remasured when there is a change in future 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, estension or termination opetion.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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.

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 mode 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)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1.11 Financial instruments (continued)

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

Financial assets and liabilities

Financial assets at amortized 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,

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1.11 Financial instruments (continued)

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 re 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 and liabilities held at FVTPL

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.

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 statement of profit or loss 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 equityinstruments 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1.11 Financial instruments (continued)

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, theGro up 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 purchased or originated credit impaired (POCI).

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:

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1.11 Financial instruments (continued)

- 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 cash equivalents, including interest earned, during the period between the collection date and the date of required remittance 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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1.11 Financial instruments (continued)

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.

- 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1.11 Financial instruments (continued)

- **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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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.

1.16 Earnings per ordinary share

Earnings per ordinary share is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, excluding own shares held (treasury shares). Diluted earning per ordinary share is calculated by dividing the basic earnings, which requires no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, excluding own shares held (treasury shares).

1.17 Dividend

Dividends on ordinary shares are charged to equity in the year in which they are declared. Dividends declared after the statement of financial position date are disclosed in the notes. This is transfered from retained earnings to a separate item "proposed dividend" under equity.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to References to Conceptual Framework in IFRS Standards	January 1, 2020	The impact of the standard is not material.
• Definition of Material (Amendments to IAS 1 and IAS 8)	January 1, 2020	The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021	Unlikely there will be a material impact
• Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023	Unlikely there will be a material impact

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. 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.

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, 2020; (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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Financial risk management (continued)

The table below summarizes the composition of the regulatory capital.

	Bank	
	2020	2019
	USh '000	USh '000
Core capital (Tier 1)		
Share capital	25,000,000	25,000,000
Accumulated profit	394,542,116	338,105,684
Intangible assets	(176,044)	(129,044)
Unrealised foreign exchange gain	(114,409)	(63,347)
FVTOCI Reserve	(7,666,026)	(7,302,332)
Investments in subsidiaries	(40,000)	(40,000)
Deferred tax	(2,178,683)	(2,757,160)
Total Tier 1 Capital	**409,366,954**	**352,813,801**
Supplementary capital (Tier 2)		
Unencumbered general provisions (FI Act)	8,353,993	8,071,020
Revaluation reserve	8,274,460	8,709,958
Total Tier 2 Capital	**16,628,453**	**16,780,978**
Tier 1 capital	409,366,954	352,813,801
Tier 2 capital	16,628,453	16,780,978
Total capital (Tier 1 + Tier 2)	**425,995,407**	**369,594,779**

The risk–weighted assets are measured by means of hierarchy of five risk weights classified according to 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

3. Financial risk management (continued)

Particulars	Balance Sheet Nominal Amount USh '000	2020 Risk Weight %	Risk Weighted Amount USh '000	Balance Sheet Nominal Amount USh '000	2019 Risk Weight %	Risk Weighted Amount USh '000
Assets						
Notes, coins and other cash assets	16,589,541	0 %	-	15,563,416	0 %	-
Investment in government securities	737,498,611	0 %	-	538,151,415	0 %	-
Due from Commercial Banks in Uganda	29,923,700	20 %	5,984,740	23,029,700	20 %	4,605,940
Balance with Bank of Uganda	110,667,349	0 %	-	165,322,719	0 %	-
Placements with local Banks	153,855,035	20 %	30,771,007	65,434,369	20 %	13,086,874
Due from banks outside Uganda with longterm rating as follows:						
i. Rated AAA to AA (-)	-	20 %	-	-	20 %	-
ii. Rated A(+) to A(-)	1,161,068	50 %	580,534	1,351,455	50 %	675,728
iii. Rated BBB and non-rated (note 30)	219,150,576	100 %	219,150,576	227,751,122	100 %	227,751,122
Loans and advances to customers (excluding loans secured by 100% cash margin)	762,921,560	100 %	762,921,560	736,407,110	100 %	736,407,110
Outstanding balance fully secured by FDR/SDR	72,477,776	0 %	-	70,694,905	0 %	-
Other assets	3,430,694	100 %	3,430,694	3,583,907	100 %	3,583,907
Current tax receivable	1,306,247	100 %	1,306,247	806,301	100 %	806,301
Investment in subsidiaries	40,000	100 %	40,000	40,000	100 %	40,000
Deferred tax	2,178,683	0 %	-	2,757,160	0 %	-
Property, equipment and right-of-use assets	28,911,906	100 %	28,911,906	27,257,713	100 %	27,257,713
Intangible assets	176,044	0 %	-	129,044	0 %	-
Total assets*	2,140,288,790		1,053,097,264	1,878,280,336		1,014,214,695
Off-balance sheet items						
Contingents secured by cash collateral	34,659,932	0 %	-	30,497,655	0 %	-
Direct credit substitutes (guarantees and acceptances)	37,339,318	100 %	37,339,318	55,816,220	100 %	55,816,220
Transaction related (performance bonds and standbys)	12,144,532	50 %	6,072,266	11,684,193	50 %	5,842,097
Documentary Credits (trade related and self liquidating)	99,302,342	20 %	19,860,468	53,410,686	20 %	10,682,137
Other Commitments (unused formal facilities)	216,647,923	50 %	108,323,962	178,284,123	50 %	89,142,062
Total off balance sheet items	400,094,047		171,596,014	329,692,877		161,482,516
Total risk weighted assets			1,224,693,278			1,175,697,211
Weighted items with market risk			1,532,945			-
Weighted items with counter party credit risk			-			-
Total Risk Weighted items			**1,226,226,223**			**1,175,697,211**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Financial risk management (continued)

*This includes the loans and advances net of impairment allowance in accordance with Financial Institutions Act, 2004, and as amended. Below is the reconciliation of total assets as per statement of financial position;

		2020 USh '000	2019 USh '000
Total assets as per Statement of Financial Position		2,138,888,382	1,875,445,291
Less: Loans and advances to customer (as per IFRS)		(833,998,928)	(804,266,970)
Add: Loans and advances to customer (as per FI Act)		835,399,336	807,102,015
***Total assets (as above)**		**2,140,288,790**	**1,878,280,336**

	2020 Actual Ratios	2020 Minimum Requirements	2019 Actual Ratios	2019 Minimum Requirements
Core capital to risk assets ratio	33.38 %	10.00 %	30.01 %	10.00 %
Total capital to risk assets ratio	34.74 %	12.00 %	31.44 %	12.00 %

The Financial Institutions (Capital Buffers and Leverage Ratio) Regulations, 2020 were issued on December 31, 2020 which will increase the Bank's minimum capital requirement from 10% and 12% to 12.5% and 14.5% for core and total capital respectively effective December 31, 2021

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Financial risk management (continued)

- Risk limit control and mitigation policies

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

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

3. 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;

	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Particulars				
Balances with Bank of Uganda	110,696,479	165,345,486	110,667,349	165,322,719
Deposit and balances due from other banking institutions	393,154,012	307,814,346	393,154,012	307,814,346
Due from overseas branches of parent bank	10,936,367	9,752,300	10,936,367	9,752,300
Investment in government securities	737,498,611	538,151,415	737,498,611	538,151,415
Other assets	3,435,166	3,768,263	3,430,694	3,583,907
Loans and advances to customers (net)	833,998,928	804,266,970	833,998,928	804,266,970
Credit exposure relating to off-balance sheet items:				
Acceptances and letters of credit	99,302,342	53,410,686	99,302,342	53,410,686
Guarantees and performance	49,483,850	67,500,413	49,483,850	67,500,413
Commitments to lend	216,647,923	178,284,123	216,647,923	178,284,123
Other credit commitments	34,659,932	30,497,655	34,659,932	30,497,655
	2,489,813,610	**2,158,791,657**	**2,489,780,008**	**2,158,584,534**

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, 33.50% (2019: 37.26%) of the total maximum exposure of the Group is derived from loans and advances to banks and customers. 29.62% (2019: 24.93%) represents investments goverment securities.

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 and / 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:

- 90.16% (2019: 91.92%) of the gross loans and advances portfolio are at stage 1;
- 98.88% (2019: 98.98%) of the loans are backed by collaterals;
- 100.00% (2019: 100%) of the investments in debt securities are government securities; and
- The Group exercises stringent control over granting of new loans.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Financial risk management (continued)
Loans and advances are categorized as follows:

	Group		Bank	
	2020	2019	2020	2019
	USh '000	USh '000	USh '000	USh '000
Stage 1	763,653,449	746,812,242	763,653,449	746,812,242
Stage 2	71,548,628	55,429,270	71,548,628	55,429,270
Stage 3	11,725,495	10,175,535	11,725,495	10,175,535
Gross loans and advances	**846,927,572**	**812,417,047**	**846,927,572**	**812,417,047**
Less: Impairment allowance	(12,283,140)	(8,150,077)	(12,283,140)	(8,150,077)
Loss on loan contract modification	(645,504)	-	(645,504)	-
Loans and advances - net	833,998,928	804,266,970	833,998,928	804,266,970

Loans and advances that are past due for 30 days or less are classified in stage 1, loans and advances that are past due for more than 30 days but less than 91 days are classified in stage 2 and loans and advances that are past due for 91 days or more are classified in stage 3.

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.

Stage 3 loans and advances

	Group		Bank	
	2020	2019	2020	2019
	USh '000	USh '000	USh '000	USh '000
Loans				
Corporate	7,946,673	5,906,140	7,946,673	5,906,140
Retail	380,237	152,622	380,237	152,622
	8,326,910	6,058,762	8,326,910	6,058,762
Overdrafts				
Corporate	3,345,072	4,116,773	3,345,072	4,116,773
Retail	53,513	-	53,513	-
	3,398,585	4,116,773	3,398,585	4,116,773
Total stage 3 loans and advances	**11,725,495**	**10,175,535**	**11,725,495**	**10,175,535**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Financial risk management (continued)

Concentration of credit risk

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

At December 31, 2020	Loans and advances %	Credit commitments %	Customer deposits %
Manufacturing	44.46	5.71	65.96
Wholesale and retail trade	7.94	3.32	11.35
Transport and communication	0.83	0.38	0.04
Building and construction	15.41	2.07	9.50
Agricultural	25.98	9.39	2.21
Individuals	0.75	54.21	-
Others	4.63	24.92	10.94
Gross	**100.00**	**100.00**	**100.00**

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
Gross	**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.

The 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Financial risk management (continued)

At December 31, 2020

	Upto 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						
Cash and balances with Bank of Uganda	127,256,890	-	-	-	-	127,256,890
Investment in government securities	34,542,096	93,493,294	319,471,739	169,604,644	120,386,838	737,498,611
Amounts due from overseas branches of parent company	10,936,367	-	-	-	-	10,936,367
Deposit and balances due from other financial institutions	166,399,780	80,461,017	146,293,215	-	-	393,154,012
Loans and advances to customers (net)	43,354,241	65,319,295	124,160,398	199,724,234	401,440,760	833,998,928
Total assets	382,489,374	239,273,606	589,925,352	369,328,878	521,827,598	2,102,844,808
Liabilities						
Other financial liabilities	19,831,511	-	-	-	-	19,831,511
Customer deposits	50,820,944	343,358,423	618,209,630	560,579,180	-	1,572,968,177
Other liabilities	11,535,716	-	81,121,239	-	-	92,656,955
Retirement benefit obligation	-	-	-	1,144,539	-	1,144,539
Total liabilities	82,188,171	343,358,423	699,330,869	561,723,719	-	1,686,601,182
Net liquidity gap	**300,301,203**	**(104,084,817)**	**(109,405,517)**	**(192,394,841)**	**521,827,598**	**416,243,626**
Off-balance sheet items	99,301,167	77,329,859	183,099,982	30,250,364	10,112,675	400,094,047
Overall net position	201,000,036	(181,414,676)	(292,505,499)	(222,645,205)	511,714,923	16,149,579
At December 31, 2019						
Total assets	487,729,646	206,539,459	330,917,940	407,264,865	408,419,255	1,840,871,165
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
Overall net position	228,267,502	(83,531,423)	(132,858,502)	(388,986,623)	408,390,711	31,281,665

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Financial risk management (continued)

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 reported to the Board of Directors.

VaR summary for 2020 and 2019:

Bank VaR by risk type	Group			Bank		
	Average USh '000	High USh '000	Low USh '000	Average USh '000	High USh '000	Low USh '000
12 Months ending December 31, 2020						
Foreign exchange risk	5,771,611	6,085,204	5,298,022	5,771,611	6,085,204	5,298,022
Interest rate risk	10,479,019	10,094,160	11,047,699	10,479,019	10,094,160	11,047,699
	16,250,630	16,179,364	16,345,721	16,250,630	16,179,364	16,345,721
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**

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Financial risk management (continued)

	Group		Bank	
	Effect on profit (decrease)		Effect on equity (decrease)	
Currency	**2020 USh'000**	**2019 USh'000**	**2020 USh'000**	**2019 USh'000**
US Dollar	(144,516)	(31,923)	(144,516)	(31,923)
Euro	(1,278)	(9,772)	(1,278)	(9,772)
GBP	(1,563)	(17,840)	(1,563)	(17,840)
Others	(47,892)	(72,797)	(47,892)	(72,797)
Total	(195,250)	(132,332)	(195,250)	(132,332)

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, 2020

	EURO USh '000	**USD USh '000**	**GBP USh '000**	**Others USh '000**	**Total USh '000**
Assets					
Cash and balances with Bank of Uganda	1,587,571	11,504,696	1,264,269	326,423	14,682,959
Amounts due from overseas branches of parent company	3,747,850	2,679,480	3,999,194	509,843	10,936,367
Deposits and balances due from other financial institutions	-	387,522,092	5,631,920	-	393,154,012
Loans and advances to customers	-	560,485,836	-	-	560,485,836
Other assets	210,994	2,705,940	165,054	990	3,082,978
Total assets	5,546,415	964,898,044	11,060,437	837,256	982,342,152
Liabilities					
Customer deposits	5,546,415	965,535,746	11,060,437	78,057	982,220,655
Other liabilities	-	673,739	-	759,199	1,432,938
Total liabilities	5,546,415	966,209,485	11,060,437	837,256	983,653,593
Net balance sheet position	**-**	**(1,311,441)**	**-**	**-**	**(1,311,441)**
Notional position	(9,942,392)	(264,450,453)	-	(10,000)	(274,402,845)
Overall position	(9,942,392)	(265,761,894)	-	(10,000)	(275,714,286)
At December 31, 2019					
Total assets	5,658,014	842,333,558	14,008,013	2,118,336	864,117,921
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)**
Notional position	(6,436,894)	(185,094,170)	(156,488)	-	(191,687,552)
Overall position	(6,297,287)	(197,853,307)	(411,347)	1,040,260	(203,521,681)

Exchange rates used for conversion of foreign items were:

	2020	**2019**
US Dollar	3,649	3,665
GBP	4,984	4,815
Euro	4,484	4,108
INR	50	51
KSh	33	36

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Financial risk management (continued)

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 rimes 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, 2020

	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	34,542,096	93,493,294	319,471,739	169,604,644	120,386,838	737,498,611
Amounts due from overseas branches of parent company	10,936,367	-	-	-	-	10,936,367
Deposits and balances due from other financial institutions	166,399,780	80,461,017	146,293,215	-	-	393,154,012
Loans and advances to customers	43,354,241	65,319,295	124,160,398	199,724,234	414,369,404	846,927,572
Total assets	255,232,484	239,273,606	589,925,352	369,328,878	534,756,242	1,988,516,562
Liabilities						
Other financial liabilities	19,831,511	-	-	-	-	19,831,511
Customer deposits	50,820,944	343,358,423	618,209,630	560,579,180	-	1,572,968,177
Total liabilities	70,652,455	343,358,423	618,209,630	560,579,180	-	1,592,799,688
Interest sensitivity gap	**184,580,029**	**(104,084,817)**	**(28,284,278)**	**(191,250,302)**	**534,756,242**	**395,716,874**
At December 31, 2019						
Total assets	306,843,511	206,539,459	330,917,940	407,264,865	416,569,332	1,668,135,107
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**

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.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

3. Financial risk management (continued)

2020	USh	USD	GBP	EURO
Particulars				
Other financial assets	8.16 %	0.99 %	0.24 %	0.95 %
Customer deposits	10.00 %	2.74 %	0.18 %	- %
2019	USh	USD	GBP	EURO
Particulars				
Other financial assets	10.25 %	2.29 %	0.45 %	1.06 %
Customer deposits	10.29 %	3.18 %	0.20 %	0.10 %

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, 2020, 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 11,921 million (2019: USh 11,383 million) lower/higher, arising mainly as a result of change in interest income.

As at December 31, 2020, 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 4,053 million (2019: USh 4,326 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.

The group does not have any exposure, investments, placements or borrowings linked with LIBOR and therefore there is no impact of LIBOR transition on any of the group's contracts with counterparty banks.

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.

4. 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

	Group		Bank	
5. Interest income	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Loans and advances	89,510,206	87,430,501	89,510,206	87,430,501
Treasury bonds	42,217,120	44,169,891	42,217,120	44,169,891
Treasury bills	25,855,864	17,834,307	25,855,864	17,834,307
Placements and repurchase agreements ("repos")	12,711,763	13,182,978	12,711,763	13,182,978
	170,294,953	**162,617,677**	**170,294,953**	**162,617,677**
6. Interest expense				
Time deposits	54,451,307	58,695,649	54,465,502	58,723,265
Savings accounts	3,003,157	2,712,429	3,003,157	2,712,429
Interbank borrowings	361,827	345,085	361,827	345,085
Current and demand deposits	76,056	21,298	76,056	21,298
Interest on lease liabilities	439,538	281,541	439,538	281,541
	58,331,885	**62,056,002**	**58,346,080**	**62,083,618**
7. Non-interest income				
Fees and commission income	16,367,081	15,610,485	16,367,081	15,610,485
Recoveries in bad debts written off	6,068,414	13,806,461	6,068,414	13,806,461
Realised foreign exchange gain (net)	4,370,645	3,519,774	4,370,645	3,519,774
Profit on sale of investments	9,597,954	3,866,373	9,597,954	3,866,373
Other income	291,414	447,190	275,890	346,164
Unrealised foreign exchange difference	114,409	63,347	114,409	63,347
Profit on sale of property, equipment and right-of-use asset	600	5,840	600	5,840
	36,810,517	**37,319,470**	**36,794,993**	**37,218,444**
8. Operating expenses				
Employee costs (note 9)	13,641,794	11,142,102	13,641,794	11,111,337
Other expenses	8,586,921	7,958,774	8,512,331	7,941,643
Recycling of loss on disposal of investment at FVTOCI	7,472,590	1,953,713	7,472,590	1,953,713
Depreciation, amortisation and impairments	2,907,387	2,583,021	2,907,185	2,582,783
Administration and service level agreement fees	2,238,131	3,916,729	2,238,131	3,916,729
Rents and rates	816,512	1,329,224	816,512	1,329,224
Advertising	668,700	514,829	668,700	514,829
Loss on modification of financial instruments *	645,504	-	645,504	-
Repairs and maintenance	565,373	372,113	565,373	372,113
Auditors remuneration	275,279	231,633	260,316	221,255
Consulting and professional fees	267,668	230,181	265,515	230,181
Directors' emoluments as executives	206,145	270,077	206,145	270,077
Bad debts written off	205,024	33,982,061	205,024	33,982,061
Fair value loss on investments measured at FVTPL	147,643	-	147,643	-
	38,644,671	**64,484,457**	**38,552,763**	**64,425,945**

* Loss on modification of financial instruments are as a result of the modification of the assets or liabilities of the group. Where an existing financial liabilities or assets are substantially modified, such as exchange or modification is treated as a derecognition of the original asset or liability and the recognition of new asset or liability at fair value including calculating new effective interest rate with difference in the respective caring amount being recognized in profit or loss.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	Group		Bank	
9. Employee costs	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Salaries and wages	12,306,881	13,036,059	12,306,881	13,008,091
Other benefits	499,306	369,133	499,306	369,133
National Social Security Fund benefit	835,607	(2,263,090)	835,607	(2,265,887)
	13,641,794	**11,142,102**	**13,641,794**	**11,111,337**
10. Taxation				
Major components of the tax expense				
Current				
Local income tax - current period	11,840,052	10,295,981	11,840,052	10,274,914
Withholding tax ("WHT") on investment income	11,471,677	14,016,844	11,471,677	14,016,844
	23,311,729	**24,312,825**	**23,311,729**	**24,291,758**
Deferred				
Deferred tax	900,950	(6,464,929)	920,987	(6,464,901)
Arising from prior period adjustments	11,397	7,043,897	-	7,043,897
	912,347	**578,968**	**920,987**	**578,996**
	23,311,729	24,312,825	23,311,729	24,291,758
	912,347	578,968	920,987	578,996
	24,224,076	**24,891,793**	**24,232,716**	**24,870,754**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	107,541,520	70,253,632	107,603,709	70,183,502
Tax at the applicable tax rate of 30% (2019: 30%)	32,262,456	21,076,090	32,281,113	21,055,051
Tax effect of adjustments on taxable income				
Final tax (WHT) on investment income*	11,471,677	14,016,844	11,471,677	14,016,844
Tax on income subject to final WHT**	(20,915,823)	(17,479,315)	(20,915,823)	(17,479,315)
Arising from prior period errors	11,397	7,043,897	-	7,043,897
Expenses not deductible for tax purposes	1,394,369	234,277	1,395,749	234,277
	24,224,076	**24,891,793**	**24,232,716**	**24,870,754**

*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

11. Cash and balances with Bank of Uganda

	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Cash in hand	16,589,541	15,563,416	16,589,541	15,563,416
Balances with Bank of Uganda	110,696,479	165,345,486	110,667,349	165,322,719
	127,286,020	**180,908,902**	**127,256,890**	**180,886,135**

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, 2020, the mandatory deposits were 7.61% of total deposits (2019: 7.49% 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 944 millions (2019: USh 822 million) and this has been included together with principal balance advanced.

12. Investment in government securities

Held at fair value through profit or loss				
Treasury bills	41,705,257	-	41,705,257	-

Held at fair value through other comprehensive

income				
Treasury bills	353,760,790	189,217,486	353,760,790	189,217,486
Treasury bonds	235,655,743	331,034,429	235,655,743	331,034,429
	589,416,533	**520,251,915**	**589,416,533**	**520,251,915**
Held at amortised costs				
Treasury bonds	106,376,821	17,899,500	106,376,821	17,899,500
	41,705,257	-	41,705,257	-
	-	-	-	-
	589,416,533	520,251,915	589,416,533	520,251,915
	106,376,821	17,899,500	106,376,821	17,899,500
	-	-	-	-
	737,498,611	**538,151,415**	**737,498,611**	**538,151,415**
Non-current assets	-	-	-	-
Current assets	737,498,611	538,151,415	737,498,611	538,151,415

Movement in investment in government securities

Reconciliation of financial assets at fair value through OCI at level 3 - Group and Bank - 2020

	Opening balance	Gain (loss) in FV of securities	Addition / (deduction) (net)	Interest receivable	Closing balance
At fair value through OCI	520,251,915	(7,992,153)	67,582,816	9,573,955	589,416,533

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

12. Investment in government securities (continued)

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

		Group		Bank	
		2020 Ush '000	2019 Ush '000	2020 Ush '000	2019 Ush '000
	Opening balance	Gain/(loss) in fair valuation of securities	Addition / (deduction) (net)	Interest receivable	Closing balance
At fair value through OCI	501,167,838	(2,209,476)	7,782,997	13,510,556	520,251,915

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

Government securities are categorised as 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, 2020 was 15.06% and on treasury bills 12.23% (2019: treasury bonds 14.29% and treasury bills 11.59%).

The weighted average effective rate of interest on local placements as at December 31, 2020 was 8.16% and foreign placements 0.99% (2019: local placements 10.25% and foreign placements 2.29%).

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 3,270.00 million (2019: USh 2,438.10 million) with Bank of Uganda

13. Amounts due from overseas branches of parent company

Bank of Baroda, London - GBP	3,999,194	3,274,933	3,999,194	3,274,933
Bank of Baroda, Nairobi - KSh	253,618	227,968	253,618	227,968
Bank of Baroda, Mumbai - INR	256,225	566,474	256,225	566,474
Bank of Baroda, Brussels - Euro	3,747,850	3,922,147	3,747,850	3,922,147
Bank of Baroda, New York - US Dollar	2,679,480	1,760,778	2,679,480	1,760,778
	10,936,367	**9,752,300**	**10,936,367**	**9,752,300**

The weighted average effective interest rate on deposits due from overseas branches of parent company as at December 31, 2020 was 0.73% (2019: 2.13%).

14. Deposit and balances due from other financial institutions

Due from banking institutions in Uganda	183,778,735	88,464,069	183,778,735	88,464,069
Due from other financial institutions outside Uganda	209,375,277	219,350,277	209,375,277	219,350,277
	393,154,012	**307,814,346**	**393,154,012**	**307,814,346**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

15. Loans and advances to customers (net)	Group 2020 USh '000	Group 2019 USh '000	Bank 2020 USh '000	Bank 2019 USh '000
At amortised cost				
Overdrafts	414,771,613	479,592,018	414,771,613	479,592,018
Term loans	431,929,056	332,615,379	431,929,056	332,615,379
Personal loans	226,903	209,650	226,903	209,650
Gross loans and advances to customers	846,927,572	812,417,047	846,927,572	812,417,047
Less: Impairment allowance (IFRS 9)	(12,283,140)	(8,150,077)	(12,283,140)	(8,150,077)
Less: Loss on modification of financial instruments	(645,504)	-	(645,504)	-
Loans and advances to customers (net)	**833,998,928**	**804,266,970**	**833,998,928**	**804,266,970**
Reconciliation of provision for impairment of loans and advances				
Opening balance	8,150,077	6,916,354	8,150,077	6,916,354
Impairment allowance	8,180,512	38,139,237	8,180,512	38,139,237
Recoveries/ upgrades	(3,842,425)	(2,923,453)	(3,842,425)	(2,923,453)
Amounts written off as uncollectable	(205,024)	(33,982,061)	(205,024)	(33,982,061)
	12,283,140	**8,150,077**	**12,283,140**	**8,150,077**

All impaired loans have been written down to their estimated recoverable amount. The aggregate carrying amount of impaired loans at December 31, 2020 was USh 11,725 million (2019: USh 10,176 million) on which provision of USh 12,283 million (2019: USh 8,150 million).

Advances to customers include loans to employees of USh 498 million (2019: USh 210 million). The weighted average effective interest rate on local currency loans and advances to customers as at December 31, 2020 was 18.06% (2019:17.35%) and 8.38% (2019: 8.63%) for foreign currency loans and advances.

Reconciliation of impairment allowance for loans and advances and off-balancesheet exposure:

	Loans and advances				Off balance sheet	
December 31, 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Total**
At start of the year	7,324,682	149,253	676,142	8,150,077	8,307,884	16,457,961
Charge/credit to profit and loss	550,492	1,941,517	1,641,054	4,133,063	(1,545,669)	2,587,394
At the end of year	**7,875,174**	**2,090,770**	**2,317,194**	**12,283,140**	**6,762,215**	**19,045,355**

	Loans and advances				Off balance sheet	
December 31, 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Total**
At start of the year	4,353,186	478,073	2,085,094	6,916,353	6,398,552	13,314,905
Charge/credit to profit and loss	2,971,496	(328,820)	(1,408,952)	1,233,724	1,909,332	3,143,056
At the end of year	**7,324,682**	**149,253**	**676,142**	**8,150,077**	**8,307,884**	**16,457,961**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

15. Loans and advances to customers (net) (continued)

COVID-19 relief measures

COVID-19 payment-related relief measures are in Uganda, particularly focused on businesses affected on account of COVID- 19. The scheme were initiated by Bank of Uganda and government of Uganda. Measures include principal and/or interest moratorium and term extensions, and are generally available to eligible borrowers. Some schemes is restricted to those in industries significantly impacted by COVID-19, such as hotel, travel, recreations, etc. but are not borrower-specific in nature. Relief measures are generally mandated or supported by regulators and governments and are available to all eligible customers who request it. In most cases, the period of relief provided is between 6 months and 18 months.

Assessment for expected credit losses

COVID-19 payment reliefs that are generally available to a market or industry as a whole and are not borrower-specific in nature have not, on their own, resulted in an automatic change in stage (that is, individual customers are not considered to have experienced a significant increase in credit risk or an improvement in credit risk) nor have they been considered to be forborne.

A customer's stage and past due status reflects their status immediately prior to the granting of the relief, with past due amounts assessed based on the new terms as set out in the temporary payment reliefs.

If a customer requires additional support after the expiry of the initial payment relief period, these will be considered at a borrower level, after taking into account their individual circumstances. Depending on the type of subsequent support provided, these customers may be classified within stage 2 or stage 3 (depending on the significant increase in the credit risk).

16. Other assets

	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Others	3,435,166	3,768,263	3,430,694	3,583,907

17. Tax paid

	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Balance at beginning of the year	822,637	8,512,335	806,301	8,491,215
Current tax for the year recognised in profit or loss	(23,311,729)	(24,312,825)	(23,311,729)	(24,291,758)
Balance at end of the year	(1,331,750)	(822,637)	(1,306,247)	(806,301)
	(23,820,842)	**(16,623,127)**	**(23,811,675)**	**(16,606,844)**

18. Investment in subsidiary

Name of company	Country of incorporation	% voting power 2020	% voting power 2019	Carrying amount 2020	Carrying amount 2019
Baroda Capital Markets (Uganda) 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 (2019: 100% equity shares) of Baroda Capital Markets (Uganda) 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 conculded that the Group has control over the subsidiary and therefore, it has been consolidated in these financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

19. Deferred tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2019: 30%). The movement on the deferred income tax account is as follows:

	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Deferred tax asset	2,198,427	2,761,653	2,178,683	2,757,160
Reconciliation of deferred tax asset				
At beginning of year	2,761,653	3,425,452	2,757,160	3,420,987
Movement in taxable / (deductible) temporary difference in;				
- tangible fixed assets	91,098	(11,016)	91,071	(11,044)
- fair value reserve	162,479	76,728	155,868	76,728
- other provisions	(81,561)	(43,080)	(81,561)	(43,080)
- tax loss available carried forward	20,010	-	-	-
- impairment allowance	(896,174)	6,521,419	(896,174)	6,521,419
- unrealised forex difference	(34,323)	(2,394)	(34,323)	(2,394)
- revaluation reserves	186,642	196,465	186,642	196,465
Prior period errors	(11,397)	(7,401,921)	-	(7,401,921)
	2,198,427	**2,761,653**	**2,178,683**	**2,757,160**

20. Property, equipment and right-of-use assets

Group	2020 Cost or revaluation	2020 Accumulated depreciation	2020 Carrying value	2019 Cost or revaluation	2019 Accumulated depreciation	2019 Carrying value
Land	8,700,000	-	8,700,000	8,700,000	-	8,700,000
Buildings	13,067,409	(8,454,577)	4,612,832	13,067,409	(8,031,495)	5,035,914
Furniture and fixtures	7,432,990	(5,289,831)	2,143,159	7,345,333	(4,987,647)	2,357,686
Motor vehicles	1,194,430	(1,029,008)	165,422	1,194,430	(987,653)	206,777
IT equipment	6,452,312	(4,832,066)	1,620,246	5,575,060	(4,521,052)	1,054,008
Right-of-use assets	14,061,947	(2,390,382)	11,671,565	11,011,002	(1,106,154)	9,904,848
Total	**50,909,088**	**(21,995,864)**	**28,913,224**	**46,893,234**	**(19,634,001)**	**27,259,233**

Bank	2020 Cost or revaluation	2020 Accumulated depreciation	2020 Carrying value	2019 Cost or revaluation	2019 Accumulated depreciation	2019 Carrying value
Freehold land	8,700,000	-	8,700,000	8,700,000	-	8,700,000
Buildings	13,067,409	(8,454,577)	4,612,832	13,067,409	(8,031,495)	5,035,914
Furniture and fixtures	7,426,287	(5,284,408)	2,141,879	7,338,630	(4,982,407)	2,356,223
Motor vehicles	1,194,430	(1,029,008)	165,422	1,194,430	(987,653)	206,777
IT equipment	6,447,978	(4,827,770)	1,620,208	5,570,726	(4,516,775)	1,053,951
Right-of-use assets	14,061,947	(2,390,382)	11,671,565	11,011,002	(1,106,154)	9,904,848
Total	**50,898,051**	**(21,986,145)**	**28,911,906**	**46,882,197**	**(19,624,484)**	**27,257,713**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

Reconciliation of property, equipment and right-of-use assets - Group - 2020

	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
	Opening balance	Additions	Depreciation	Total
Freehold land	8,700,000	-	-	8,700,000
Buildings	5,035,914	-	(423,082)	4,612,832
Furniture and fixtures	2,357,686	87,657	(302,184)	2,143,159
Motor vehicles	206,777	-	(41,355)	165,422
IT equipment	1,054,008	992,882	(426,644)	1,620,246
Right-of-use assets	9,904,848	3,393,890	(1,627,173)	11,671,565
	27,259,233	**4,474,429**	**(2,820,438)**	**28,913,224**

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

	Opening balance	On IFRS16 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 - Bank - 2020

	Opening balance	Additions	Depreciation	Closing balance
Freehold land	8,700,000	-	-	8,700,000
Buildings	5,035,914	-	(423,082)	4,612,832
Furniture and fixtures	2,356,223	87,657	(302,001)	2,141,879
Motor vehicles	206,777	-	(41,355)	165,422
IT equipment	1,053,951	992,882	(426,625)	1,620,208
Right-of-use assets	9,904,848	3,393,890	(1,627,173)	11,671,565
	27,257,713	**4,474,429**	**(2,820,236)**	**28,911,906**

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

	Opening balance	On IFRS 16 adoption	Additions	Disposals	Depreciation	Closing balance
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**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

Revaluations

Land and building were revalued on June 6, 2016 and May 18, 2016 by Ideal Surveyors, Valuers and Real Estate Management Consultants and East African Consulting Surveyors respectively. Valuations (i.e. level 2) were made on the basis of the open market value. Level 2 fair values of the land and buildings were determined directly by reference to observable prices in the open market and recent similar market transaction at arm's length.

The fair value measurements as at the above date were performed by the independent valuers not related to the Group. Ideal Surveyors, Valuers and Real Estate Management Consultants and East African Consulting Surveyors have the appropriate qualifications and experience in the fair value measurement of properties in the relevant locations.

The book values of properties were adjusted to the revaluations and the resultant surplus net of deferred income tax was credited to the revaluation reserve in shareholders equity. If the buildings and land were stated on the historical cost basis, the amounts would be as follows:

	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Land and buildings	1,492,175	1,293,117	1,492,175	1,293,117

21. Intangible assets

Group		2020			2019	
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	497,466	(321,422)	176,044	363,516	(234,472)	129,044

Bank		2020			2019	
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	497,466	(321,422)	176,044	363,516	(234,472)	129,044

Reconciliation of intangible assets - Group - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	129,044	133,950	(86,950)	176,044

Reconciliation of intangible assets - Group - 2019

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

Reconciliation of intangible assets - Bank - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	129,044	133,950	(86,950)	176,044

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

21. Intangible assets (continued)

Reconciliation of intangible assets - Bank - 2019	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
	Opening balance	Additions	Amortisation	Total
Computer software	121,845	66,620	(59,421)	129,044
22. 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)	-	-
	25,000,000	**24,993,567**	**25,000,000**	**25,000,000**

Treasury shares

Baroda Capital Markets (Uganda) Limited is wholly owned subsidiary of the Group. The subsidiary holds Nil (2019: 259,962) shares of the Bank and these are carried at cost and classified as treasury shares on consolidation.

23. Regulatory general credit risk reserve

At the start of the year	4,766,591	23,924,554	4,766,591	23,924,554
Transfer to collective impairment provisions	2,370,059	(19,157,963)	2,370,059	(19,157,963)
At end of the year	**7,136,650**	**4,766,591**	**7,136,650**	**4,766,591**
Provision as per FI Act 2004				
Specific provision	11,065,797	4,845,648	11,065,797	4,845,647
General provision	8,353,993	8,071,020	8,353,993	8,071,020
	19,419,790	**12,916,668**	**19,419,790**	**12,916,667**
Impairment allowance under IFRS 9	**12,283,140**	**8,150,077**	**12,283,140**	**8,150,077**
Regulatory General Credit Risk Reserve as at December 31	**7,136,650**	**4,766,591**	**7,136,650**	**4,766,590**
Movement in Regulatory General Credit Risk Reserve	2,370,059	(19,157,964)	2,370,059	(19,157,964)

The regulatory general credit risk 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 recognised in accordance with the Group's accounting policy. This reserve is non-distributable.

24. Other financial liabilities

Held at amortised cost				
Bank of Uganda - Agriculture Credit Facility	9,829,593	1,786,653	9,829,593	1,786,653
Guaranty Trust Bank (Uganda) Limited	-	2,000,356	-	2,000,356
Bank of Uganda - a reverse repo	10,001,918	-	10,001,918	-
	19,831,511	**3,787,009**	**19,831,511**	**3,787,009**
	-	-	-	-

24. Other financial liabilities (continued)

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.

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, 2020, the mandatory deposits were 7.61% of total deposits (2019: 7.49% 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 944 millions (2019: USh 822 million) and this has been included together with principal balance advanced.

The weighted average effective rate of interest on foreign bank's borrowings as at December 31, 2020 was 0.34% (2019: 2.00%). The weighted average effective rate of interest on local bank's borrowings as at December 31, 2020 was 7.46% (2019: 7.80%).

	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
25. Customer deposits				
Current and demand accounts	258,292,886	249,771,560	258,595,839	250,047,268
Savings accounts	267,633,553	229,526,064	267,633,553	229,526,064
Time deposits	1,046,404,694	950,297,102	1,046,738,785	950,555,256
	1,572,331,133	**1,429,594,726**	**1,572,968,177**	**1,430,128,588**
26. Other liability				
Unearned interest	26,500,744	10,687,228	26,500,744	10,687,228
Dividend payable *	25,564,981	570,163	25,564,981	570,163
Bills payable	284,942	421,748	284,942	421,748
Uncleared effects (net)	85,453	517,088	85,453	517,088
Others	21,840,727	16,021,666	21,754,519	15,914,279
Impairment allowance on off-balancesheet exposure (note 15)	6,762,215	8,307,885	6,762,215	8,307,885
Operating lease liability** (note 32)	11,704,101	9,562,638	11,704,101	9,562,638
	92,743,163	**46,088,416**	**92,656,955**	**45,981,029**

*The proposed dividend for the year 2020 is USh 25,000 million (2019: USh 25,000 million). The dividend is at 100% of paid up share capital of USh 25,000 million (2019: 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.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

27. Retirement benefit obligation

	Group		Bank	
Movements for the year	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Opening balance	1,268,764	1,413,064	1,268,764	1,413,064
Additional provision made during the year	17,725	58,952	17,725	58,952
Paid during the year	(141,950)	(203,252)	(141,950)	(203,252)
	1,144,539	**1,268,764**	**1,144,539**	**1,268,764**

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.

28. Analysis of cash and cash equivalents

	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Cash and balances with Bank of Uganda (note 11)	127,286,020	180,908,902	127,256,890	180,886,135
Cash reserve requirement	(119,650,000)	(107,100,000)	(119,650,000)	(107,100,000)
Government securities maturing within 90 days of the date of acquisition	395,466,047	189,217,485	395,466,047	189,217,486
Amounts due from overseas branches of parent company	10,936,367	9,752,300	10,936,367	9,752,300
Deposits and balances due from other financial institutions (note 14)	393,154,012	307,814,346	393,154,012	307,814,346
	807,192,446	**580,593,033**	**807,163,316**	**580,570,267**

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.

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

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

	Group		Bank	
Contingent liabilities	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Acceptance and letters of credit	99,302,342	53,410,686	99,302,342	53,410,686
Letters of guarantees and performance bonds	49,483,850	67,500,413	49,483,850	67,500,413
Contingents secured by cash collateral	34,659,932	30,497,655	34,659,932	30,497,655
	183,446,124	**151,408,754**	**183,446,124**	**151,408,754**
Commitments				
Undrawn formal stand-by facilities, credit lines and other commitments to lend	216,647,923	178,284,123	216,647,923	178,284,123
	400,094,047	**329,692,877**	**400,094,047**	**329,692,877**

Refer to **note 2**6 for impairment allowance on off-balance sheet financial instruments, contingent liabilities and commitments.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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.

30. **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
	Bank of Baroda Tanzania Limited
	Bank of Baroda IFSC
	Bank of Baroda, India - London Branch
Members of key management	Raj Kumar Meena - Managing Director (from April 1, 2020)
	Ashwini Kumar (up to March 31, 2020)
	Wamayi Maurice (up to December 14, 2020)
	Manoj Kumar Bakshi (up to March 24, 2021) - Executive Director
	Prithvi Singh Bhati (from March 25, 2021) - Executive Director
	Anne Tumwesigye Mbonye - Company Secretary
	Krishnan Ragupathy - Head Administration
	Subhapratik Pradhan - Head Information Technology
	Obong Silver - Head Compliance
	Vikash Sharma - Head Treasury
	Victoria Ocici - Head of Risk Management
	Nabakka Saidah - Ag. Financial Controller
	Mbazira Francis - Acting Head Internal Audit (from December 15, 2020)
	Shaminah Namukuve Kakaire - Head Human Resource

Related party transactions

Administration fees paid to related parties				
Bank of Baroda, India	2,238,131	3,916,729	2,238,131	3,916,729
Key management compensation				
Salaries and other short term employee benefits	4,942,036	5,567,569	4,942,036	5,567,569
Directors' remuneration and benefits				
Directors' remuneration and benefits	206,145	270,077	206,145	270,077
Fees for services as a Director	30,100	32,600	30,100	32,600

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

30. Related parties (continued)

Related party balances	Group		Bank	
Amounts due from overseas branches of parent bank	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Bank of Baroda, India (BBB-)	256,225	566,474	256,225	566,474
Bank of Baroda, London (Unrated)	3,999,194	3,274,933	3,999,194	3,274,933
Bank of Baroda (Kenya) Limited, Kenya (Unrated)	253,618	227,968	253,618	227,968
Bank of Baroda, Brussels (BBB-)	3,747,850	3,922,147	3,747,850	3,922,147
Bank of Baroda, New York (BBB-)	2,679,480	1,760,778	2,679,480	1,760,778
Placements with branches of a parent bank				
Bank of Baroda, India (BBB-)	36,494,257	18,325,957	36,494,257	18,325,957
Bank of Baroda, London (Unrated)	65,684,092	36,673,232	65,684,092	36,673,232
Bank of Baroda, Brussels (BBB-)	54,740,474	55,076,704	54,740,474	55,076,704
Bank of Baroda Tanzania Limited (Unrated)	18,421,444	-	18,421,444	-
Bank of Baroda Botswana Limited (Unrated)	-	36,756,285	-	36,756,285
Bank of Baroda IFSC (BBB-)	18,277,942	-	18,277,942	-
Bank of Baroda, New York (BBB-)	14,596,000	5,497,500	14,596,000	5,497,500
Bank of Baroda (Kenya) Limited, Kenya (Unrated)	-	55,076,144	-	55,076,144
Bank of Baroda, India - London Branch (BBB-)	-	10,593,000	-	10,593,000
Time deposit from related parties Baroda Capital Markets (Uganda) Limited	-	-	334,091	265,360

31. 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.

	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Profit attributable to equity holders of the Bank	83,317,444	45,361,839	83,370,993	45,312,748
Weighted average number of ordinary shares in issue	2,384,226	2,240,038	2,384,226	2,240,038
Basic/Diluted earnings per share ('USh')	34.95	20.25	34.97	20.23

32. Commitments

Authorised capital expenditure				
Already contracted for but not provided for				
• Property, plant and equipment	8,609,000	7,800,000	8,609,000	7,800,000

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

33. Lease liabilities

	Group		Bank	
	2020 USh '000	2019 USh '000	2020 USh '000	2019 USh '000
Minimum lease payments due - within one year	1,439,334	1,695,205	1,439,334	1,695,205
- in second to fifth year inclusive	5,721,627	4,778,088	5,721,627	4,778,088
- later than five years	7,824,087	5,902,694	7,824,087	5,902,694
	14,985,048	12,375,987	14,985,048	12,375,987
Less: future finance charges	(3,280,947)	(2,813,349)	(3,280,947)	(2,813,349)
Present value of minimum lease payments	**11,704,101**	**9,562,638**	**11,704,101**	**9,562,638**
Present value of minimum lease payments due - within one year	1,050,166	1,563,666	1,050,166	1,563,666
- in second to fifth year inclusive	4,212,416	4,061,004	4,212,416	4,061,004
- later than five years	6,441,519	3,937,968	6,441,519	3,937,968
	11,704,101	**9,562,638**	**11,704,101**	**9,562,638**

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.

34. Events after the reporting period

The management of the Group are not aware of any events after the reporting period; which may have a significant impact on the operational existence or on the financial performance of the Group for the year.

35. 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) Ltd.

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 49th Annual General Meeting of the Company, to be held on the 14th June 2019 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) Ltd.

ADMISSION FORM

The Shareholder or his / her proxy must produce this admission form in order to obtain admission to the 49th 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...