ANNUAL REPORT 2015

Bank of Baroda (Uganda) Ltd

banking with passion


Bank of Baroda (U) Ltd
BARODA
Bank of Baroda (U) Ltd
"banking with passion"
Bank of Baroda (U) Ltd.
banking with passion

BANK OF BARODA (U) LTD

Head Office : 18, Kampala Road
P O Box 7197, Kampala (Uganda)

NOTICE IS HEREBY GIVEN that the 46th Annual General Meeting of Bank of Baroda (Uganda) Ltd will be held at 3:00 pm on 17th day of June 2016 at "Gardenia Hall" Imperial Royal Hotel, Plot No 7, Kintu Road, Kampala to transact the following business :-

1. **CONFIRMATION OF THE MINUTES OF THE 45TH ANNUAL GENERAL MEETING**
   To confirm the minutes of the 45th Annual General Meeting of the Bank held on 19th June 2015.

2. **FINANCIAL STATEMENTS**
   To receive and consider the audited financial statements – consolidated balance sheet as at 31st December 2015, consolidated income statement for the year ended 31st December 2015, report of the Board of directors on the working and activities of the Bank, together with the Auditor's report thereon.

3. **DIVIDEND**
   To consider and if deemed fit, to approve the dividend proposed by the Board of Directors at the rate of UGX 2.5 per share.

4. **DIRECTORS**
   To ratify the re-appointment of Mr. Dhizaala S. Moses as the Director and Chairman of the Bank w.e.f 06th November 2015 for a period of 3 years.

   To ratify the appointment of Mr. K.N. Manvi as the Non- Executive Director of the Bank w.e.f 19th August 2015

   To ratify the appointment of Mr. Anwar Malik as the Executive Director of the Bank w.e.f 1st September 2015

   To Approve the resignation of Mr. V.L. Rao w.e.f 3rd September 2015.

5. **REMUNERATION TO DIRECTORS**
   To retify the revision in remuneration to non- Executive Directors except the nominee of Parent Bank as recommended by the Board.

6. **AUDITORS**
   To consider and approve the appointment of M/s Grant Thorton as the Statutory Auditors of the Bank for the period ending 31st December 2016 and to approve their remuneration as proposed by the Board of Directors.

7. **ANY OTHER BUSINESS**
   To transact any other business that may be legally transacted in the meeting.

BY ORDER OF THE BOARD

Manoj Kr Bakshi.
Company Secretary

Date: 24th May 2016

NOTES

1. **Appointment of proxy.**

    The members entitled to attend and vote at the meeting are entitled to appoint a proxy to attend instead of her/him/itself. Such proxy need not be a member of the Bank. The proxy, in order to be effective must be appointed using the proxy form and the proxy form must be received at the Bank at least 48 hours before start of the meeting. The format of the proxy form is attached with the Annual Report.

2. **Appointment of a representative.**

    No person shall be entitled to attend the meeting as a duly authorized representative of a Company, unless a copy of the resolution appointing her/him as a duly authorized representative certified to be true copy by the Chairman of the meeting at which the resolution was passed, has been deposited at the Head Office of the Bank at least 48 hours before the start of the meeting.

3. **Admission Form.**

    For the convenience of the members, admission form is annexed to the Annual Report. The members are requested to fill in the same, affix their signature/s in the space provided therein and hand over the admission form at the entrance of the meeting place. Proxy / Representative of the Shareholders should mark on the attendance slip as proxy / representative as the case may be.

4. **Closure of Register of Shareholders.**

    The Register of members and share transfer book of the Bank will be closed on 26th August 2016

5. **Payment of Dividend.**

    The final dividend as declared by the Board of Directors and approved by the members will be paid to those shareholders whose name/s appear on the Bank's Register of Shareholders as on 26thAugust 2016 and the same will be sent on or before 13th Sept.2016 after deducting withholding tax wherever applicable.

6. **Change of address / Dividend Mandate.**

    Information of change of address , dividend mandate and particulars of the Bank , Branch and Account Number , which the shareholder desires to incorporate in her/his dividend warrant should reach the Bank well before 26th August 2016 to enable to give effect of such intimation.

7. **Request to members.**

    Please note that the copies of the Annual Report will not be distributed at the Annual General Meeting, therefore members are requested to bring their copies of the Annual Report to the meeting. Members are also requested to inform the Bank , at least 48 hours before commencement of the meeting, about any other business which they propose to legally transact at the meeting.

GLOBAL MD & CEO's STATEMENT

Dear Shareholders,

It's my pleasure in welcoming you to the 46th Annual General meeting of the Shareholders of Bank of Baroda (Uganda) Ltd. I am happy to inform you that the performance of Bank of Baroda (Uganda) Ltd for the financial year ended December 2015 has been satisfactory taking into account the challenging economic environment of the country. The business of the Bank has maintained its uptrend both in quantitative as well as qualitative aspects.

Coming to the salient features of the performance of the Bank our total business increased by 16.10%. The Gross Profit registered a growth of 15.62 %. The total net worth has shown an increase of 14.00% i.e. an increase from Ugx.194Bn. to Ugx.221Bn. Our market share has increased from 5.94% to 6.07%. These figures are testimony of customer confidence in the Bank. These parameters of growth indicate the resilience shown by the Bank in the present Challenging Banking and Economic environment.

The economic outlook has started showing a positive trend with signs of improving domestic production, employment and demand for goods which is supported by the International and Domestic inflows and its free market economy coupled with a secure and stable socio – economic environment. There is a growing middle income population which is spearheading the demand curve. This is reflected in the increasing interest evinced by the overseas investors in Uganda. The spillover effect of the slowdown in global commodity prices especially oil is alarming. However, the fiscal policy is expected to be growth oriented. The expansion in Infrastructure spending and Agriculture development is expected to revive economic growth.

You will also be happy to know that Bank has received three prestigious awards during the year 2015, which includes "Best Brands in East Africa by Superbrands" for the second time; "The Best Corporate Governed Indian Company" by Indian Business Forum – Uganda and also The Public Opinion, one of the reputed organization of the country has accredited the Bank amongst the top fifty sustainable development companies which are committed to promoting and upholding International Best Practices.

Technology is the backbone of the Banking Industry in the present era and our Bank is continuously upgrading and adopting the best alternatives. We have already finalized agreement for VISA affiliation of our Debit Cards. It is expected to be effective within next half year. We are also working for more IT enabled products like mobile money and e-lobbies.

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 also thank the officials of Indian High Commission for their unstinted cooperation and support. 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) Ltd. I am confident that with their commitment and dedication the Bank will be able to post better results in 2016.

I extend my good wishes to each one of you.

Yours sincerely,

P.S Jayakumar

P.S. Jayakumar

MD & CEO
Bank of Baroda (India)

CHAIRMAN'S STATEMENT

Dear Shareholders,

It's my honour to welcome you all to the 46th Annual General Meeting of the Bank which has entered into the 63rd year of excellence and uninterrupted service to this Country. I have great pleasure to report the financial results of the Bank for the financial year ended 31st December 2015.

The Ugandan economy is showing a positive outlook and continues to register impressive recovery from the adverse effects of economic crisis in the financial year 2015, supported by the Initiatives of BOU taken to rein in inflation. The inflation is now showing a downward trend. Government spending on Infrastructure / Agriculture is expected to lead toexpansion and growth of the economy.

Even in the adverse economic scenario the Bank has done well in FY 2015, showing remarkable growth on all business parameters. The total business of the bank increased by 16.10%, advances by 18.23%, deposits by 14.75% and gross profit by 15.62%.

Bank is in the process of operationalizing few more branches in the near future after inauguration of its 16th Branch at Lugazi. – an upcoming popular suburb to facilitate banking services nearer to places of residences / work place.

The commitment to excel and render full value to its stakeholders is reflected in the motto of your Bank for the year 2016 " To be a Bank of first choice for Stake holders".

The Bank is committed to good Corporate Governance and has complied with all the applicable laws and regulations. Bank has also extended its commitment to be part of the development of the society through its Corporate Social Responsibility mainly for Education and Health sector activities.

On behalf of the Board of Directors, Management and Staff of the Bank I express my deep gratitude and sincere thanks to the Government, all officials of Bank of Uganda, and Government Departments for their guidance and support in strengthening the operations of the Bank. I place on record my apprecia-tion for the continued support received from all our valued shareholders and customers without whom the Bank would not have been able to achieve the appreciable results.

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

Bank of Baroda (U) Ltd rededicates its commitment to all its customers for rendering the highest standard of services and also for enhancing the stakeholders' value.

Yours truly,

Dhizaala S Moses

Chairman

MANAGING DIRECTOR'S STATEMENT

Dear Shareholders,

It's my pleasure to welcome you to the 46th Annual General Meeting of the Bank. Once again the Bank's performance has shown its resilience to economic volatility and proved the credibility of its business model and strategies. It is appropriate at the outset to review the business environment within which the Bank operated during the year under consideration. The year 2015 has been challenging for Ugandan economy, the high level of inflation and rising interest rates resulted into slowdown in the growth.This slowdown was observed in all the sectors. Despite the volatility and adversities the Bank could perform well during the FY 2015 both quantitatively and qualitatively.

Let me take you through the key financial highlights of the Bank's performance for the year ended 31st December 2015.

1. Total Deposit increased by UGX.121.86Bn.showing a growth of 14.75 % over the previous year, an increase from UGX 826.11 Bn. To UGX 947.97Bn.
2. Advances increased by UGX. 95.6 Bn. Showing a growth of 18.23 %over the previous year from UGX 524.36 Bn. To UGX. 619.96 Bn.
3. Total Business i.e. Deposit + Advances increased by UGX. 217.46 Bn. Showing growth of 16.10%over the previous year. In absolute terms the increase is from UGX 1,350.47 Bn to UGX 1,567.93 Bn.
4. Total interest income increased by UGX 8.38 Bn. Showing a growth of 6.98 % over the previous year i.e. increase from UGX 119.97 Bn. to UGX 128.35 Bn.
5. Total interest expenses decreased by UGX 7.91 Bn. Showing a decrease of 12.76 % over the previous year i.e. decrease from UGX 62.01 Bn. To UGX 54.10 Bn.
6. Gross Profit increased by UGX 7.36 Bn. Showing increase of 15.62 % over the previous year i.e. increase from UGX 47.11 Bn. To UGX 54.47 Bn.
7. Net Profit increased by UGX 4.32 Bn. Showing increase of 11.75 % over the previous year i.e. increase from UGX 36.81 Bn. To UGX 41.13 Bn.
8. Gross NPA is at UGX 7,063 Mn. (1.1% of total Advances) and the Net NPA is UGX 1,990 Mn. (0.3% of total Advances).
9. Total Assets size increased by UGX 66.65 Bn. Showing a growth of 5.87 % over the previous year, i.e. increase from UGX 1,135.85 Bn. To UGX 1,202.50 Bn.
10. Total Net Worth increased by UGX 27.13 Bn. showing a growth of 14.00 % over the previous year, i.e. increase from UGX 193.69 Bn. to UGX 220.82 Bn.

This performance is indicative of the inbuilt strength the Bank has. The team BARODA has worked in line with

the motto for the year 2015 "PACE – Profitability, Asset Quality, Customer Delight and Expansion." I am pleased to declare that we have performed consistently on all these parameters.

The Bank is focused on its customers and their needs. We strive to understand the need to reach out to more customers and provide them with quality services. With our robust global IT platform we are providing Internet Banking services to our clients across the borders. In pursuit to provide best IT enabled services we are going for VISA affiliation of our ATMs and also planning to have some e-lobbies at strategic centers.

All these efforts are aimed at putting the Bank in a strong position in the market and to enable it to maintain its growth and performance standards. It is because of this vision and Bank's consistent performance on all business parameters; it has earned the appreciation of various national and international organisations during FY 15 by being identified for the awards like "Best brands in East Africa by Superbrands"; "The Best Corporate Governed Indian Company" by Indian Business Forum – Uganda and Place in Top fifty sustainable development companies. commited to promoting and upholding International Best practices by Public Opinion.

I place on record my appreciation for the continued support received from our valued shareholders and customers without whom the Bank would not have achieved the appreciable results. I also extend my gratitude to our regulators, Government of Uganda and Indian Embassy for their unstinted support.

I also wish to thank my Director Colleagues on the Board of the Bank and our staff members at all levels for the commendable work done by them during the year. I am confident that their continuous trust and support will bring greater glory to the Bank in the times to come.

Yours truly,

B S Dhaka
Managing Director

BARODA'S MISSION STATEMENT

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

BARODA'S VISION 2020

To Triple Bank's Business

BARODA'S BELIEF

Trust, Transparency and Togetherness

MOTTO FOR THE YEAR 2016

To be a Bank of First Choice for Stakeholders

NEW

RECURRING DEPOSIT ACCOUNT

BARODA's NEW Recurring Deposit Scheme: A Special kind of Term Deposit that offers customers to deposit their small monthly savings with advantage of interest of fixed deposit for 12 months , 24 months or 36 months period.

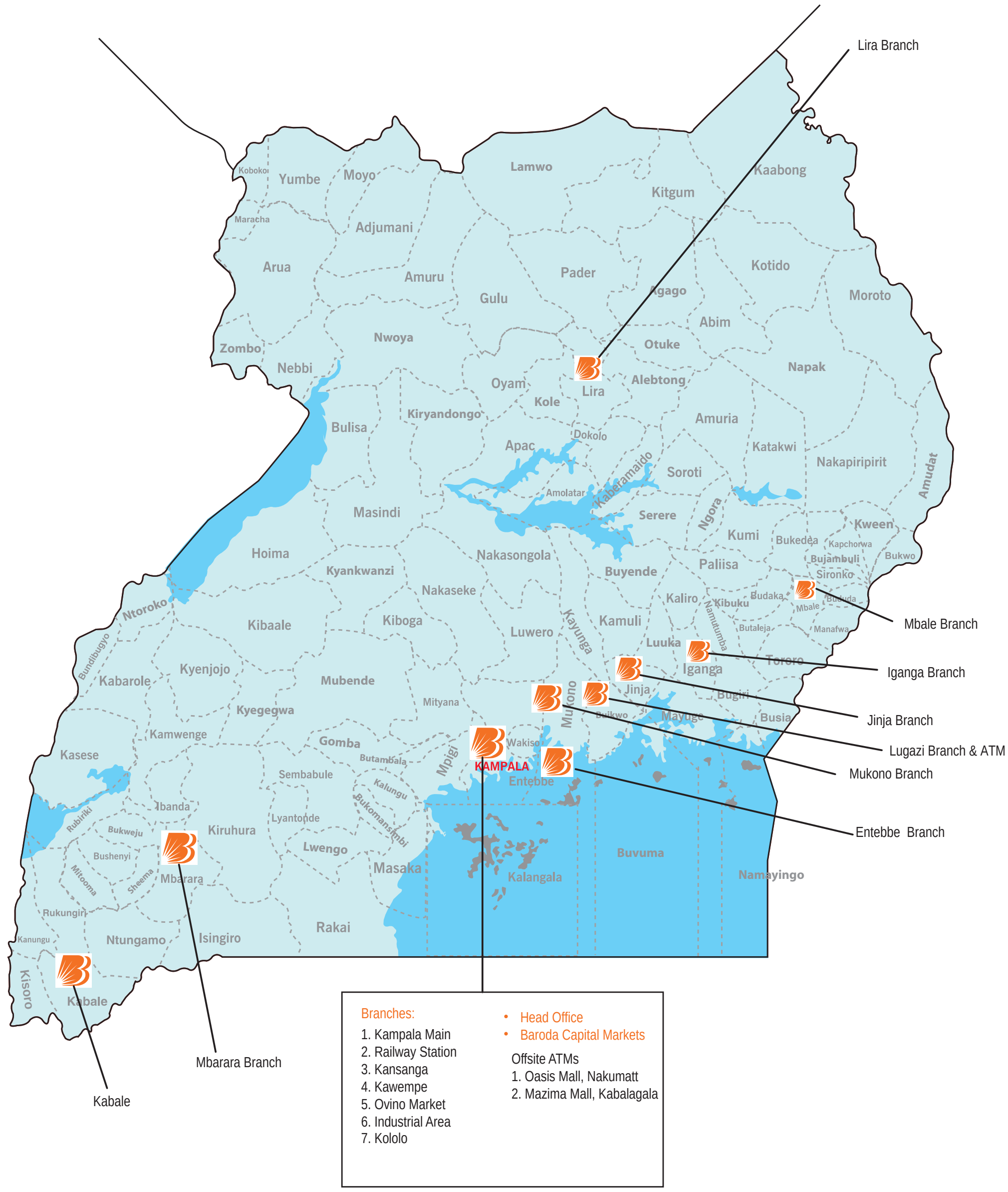
Who Can Open the Account:

- Individuals: specially Salaried Persons, House Wives & Students.
- Trust; Corporate; Societies; Proprietor & Partnership Firms
- Clubs & Associations

HIGHLIGHTS:

a) Savings for future lump-sum expenditures.
b) Affordable monthly saving helps you in planning and building large funds.
c) Higher interest rate as applicable for fixed deposit while depositing monthly installments.
d) Liquidity - You can have premature withdrawal in case of emergency without any penalty and can even borrow against the deposit.

Map of Uganda with Baroda's Presence



AWARDS CONFERRED DURING 2015

AWARDS AND ACCOLADES CONFERRED ON THE BANK
FOR THE SERVICE TO THE PEOPLE OF UGANDA

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BOARD OF DIRECTORS

Mr. Dhizaala S. Moses
Chairman

Mr. B. S. Dhaka
Managing Director

Mr. K.N. Manvi
Director

Mr. Rogers Matama
Director

Mr. O. P. Khatkar
Executive Director

Mr. Anwar Malik
Executive Director

KNOW YOUR BANK

History

Bank of Baroda (Uganda) Ltd started its operations in Uganda and opened Kampala (Main) branch on 18th December 1953. The Bank was incorporated as subsidiary of Bank of Baroda, India on 1.11.1969 with 49% shareholding of Government of Uganda. Subsequently Bank of Baroda – India took over 49% shareholding of Government of Uganda on 07.06.1999 to comply with the privatization programme of Government of Uganda for which the Bank had signed an agreement with Government of Uganda for divestment of 20 % of its shares to general public. In the year 2002 in compliance of Government of Uganda guidelines, 20% of the shares were divested to the general public in Uganda. Bank of Baroda (Uganda) Ltd is the first Bank in this country to be listed on the Uganda Securities Exchange.

Issuance of Bonus Shares

Bank of Uganda, vide Circular No GOV.122.10 dated 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 01, 2011 and up to 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 28th February 2011. Dividend was paid on these Bonus Shares also.

Again in the year 2013 the Capital was increased from Ugx 10 Billion to Ugx 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 02.06.2012. It was also proposed to pay dividend on the entire increased capital i.e. including Bonus Shares.

Branch / ATM Network

Presently the Bank has 36 outlets 16 branches and 20 ATMs.

All 16 branches are having on site ATMs. Kampala main branch has two on site ATMs. In addition to this Bank has 3 offsite ATMs – one each at Oasis Mall - Kampala, Mazima Mall - Kampala and Industrial Area Njeru. Thus in all there are 36 outlets consisting of 16 branches and 20 ATMs. Alternative delivery channels like ATM and Internet Banking allow our customers to have 24 x 7 x 365 days hassle free banking services from Baroda. The Bank has operationalised its 16th Branch at Lugazi.

Systems & Procedures

- All the ATMs are supported by MTN back up lease lines with V-SAT backup leading to substantial reduction in down time.
- Work on the Back up links for V-SAT connectivity at all the branches has since been completed; ensuring uninterrupted connectivity at the branches in any unforeseen eventuality.
- The Bank has put 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 has since been installed in the Treasury department complying with the guidelines of Bank of Uganda.
- The Bank has started process of commissioning local data centre at Head Office, Kampala.

Risk Management Systems

The business of banking is vulnerable to 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 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 bi monthly concurrent audit and half 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.
- The Data Center and the Backup for the CBS – finacle are located at two different geographically located centres in separate seismic zones in India thereby ensuring Business Continuity in any eventuality.

The focus of the Bank is on identifying, measuring, monitoring and managing the 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

Bank believes that Human Resource is one of the major assets of the Bank. Therefore, Bank takes due care at the time of fresh recruitment & promotion of existing staff, continuous up-skilling through in-house and external trainings. Bank follows a policy of employing Ugandans among its staff.

❖The total staff strength is 196 consisting of 166 local staff and 30 expatriates.

❖Extensive promotion exercise was carried out during the year for various cadres i.e. Clerical to Supervisor and Supervisor to Officer.

❖Bank has also recruited Officers / Supervisors / Banking Assistants directly attracting younger talent and also recruited Office Assistants and Driver-cum-Office Assistants during the year.

❖The Bank conducts extensive in-house training programmes which are conducted by senior management staff at its state of the art Training Centre located at Head Office – Kampala The training was imparted to staff vide -3- different courses by in-house trainers as well as through guest faculties from M/s Centum Learning. We have made arrangements with Bank of Baroda, Apex Academy, Ahmedabad in India to impart in-house training to our staff through video conferencing during the year 2016. Two of such sessions are already conducted.

❖During the year 2015, the Bank deputed -37- staff members to -14- external training programmes conducted by The Uganda Institute of Banking and Financial Services, Bank of Uganda, Financial Intelligence Authority, Uganda Manufacturers Association in conjunction with Uganda Revenue Authority, Standard Chartered Bank, Compuscan CRB Ltd., Ministry of Labour, Uganda Law Society, Uganda Bankers Association and Uganda Revenue Authority. Based on the feedback received from the participants the training programmes were found very educative and useful to their day-to-day working. We also plan to depute -2- officers at Head Office, who were identified during the year and entrusted to head the Risk and Compliance departments, for external training to acquire specialized training in the respective fields.

❖-2- local officers were deputed for overseas training at Bank of Baroda, Apex Academy, Ahmedabad – India and Baroda Corporate Centre – Mumbai from 02.02.2015 to 14.02.2015 for specific training in Credit and Foreign Exchange with a view to developing a second line of management for the Bank.

❖Staff meetings are held on regular basis wherein suggestions are sought / problems understood and solutions thereof are arrived at relating to staff grievances and also suggestions are made by staff on business development.

❖Annual Staff conclave is held during the month of June every year, which is well attended by the staff along with their family members enabling further bonding among all the staff including their families. The one for the year 2015 was also attended by -3- top executives from the parent Bank - Bank of Baroda, India.

❖The Uganda Institute of Banking and Financial Services organizes an Annual Inter-Bank Sports meet which always draws active participation of the staff members and during the year 2015 also, two Gold medals were won by our staff in Athletics.

Mr Mpalanyi Fred in action for 100 meters race at the Annual Bankers Sports Gala 2015

Awards being presented to the best performer of the year by Corporate CGM Mr. Abhayankar.

Regulatory Compliance

The central Bank of the country – Bank of Uganda carries out off site analysis on quarterly basis followed by on site examination / inspection on annual basis. They conduct comprehensive inspection of the Bank and comment on all aspects of banking. Bank has been complying with all the regulatory guidelines of Bank of Uganda and other regulatory bodies.

Customer Centric Initiatives Taken:

- ❖ Ovino Market Branch was shifted to a more strategic location at Rashid Kamis Road, Old Kampala
- ❖ SMS alert system for ATM withdrawal and other debit / credit transactions has since been implemented. The system is very helpful in preventing frauds.
- ❖ Fraud Risk Management System (FRMS) is operationalized, this will further improve the bank's risk mitigation mechanism.
- ❖ ASCROM systems for credit monitoring / asset classification has since been made live.
- ❖ We have already started e-collection of Taxes on behalf of Uganda Revenue Authority (URA) since 2011. Now we are in process of providing functionality of paying taxes to our customers through Internet Banking "Baroda Connect". The programme is under testing and is likely to be implemented during the current year.

Contribution was made to the Sports Tourism international for Annual Corporate Challenge 2015 to promote Tourism.

Corporate Social Responsibility

Bank of Baroda has in its own humble way tried 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.

During the year, the Bank made donations aggregating to Ugx.41.14 million for various social causes, major ones are listed below:

1. Books for Uganda Bankers' Association Library.
2. Donation to Kabale Municipality for beautification of the Town.
3. Donation to Sports Tourism international for Annual Corporate Challenge-2015.
4. Donation for Namugongo Shrine..
5. Donation for Durga Puja to Bengoli Association.
6. Donation for Heart Surgery of Ugandan Children through Indian Association.
7. Donation to Busoga Kingdom for development of the community.
8. Scholarship to the students of Busoga University.
9. Sight saving eye camp conducted at Jinja Branch.
10. Blood donation camp organised at Head Office, Kampala.

Blood donation camp was organised by the Bank.

Governor BOU inaugurating new premises of Ovino Branch

Continual Focus on Customer Satisfaction

Donation for Heart surgery of Ugandan Children through the Indian Association Uganda

Sight saving eye camp at Jinja

Cake cutting on the Foundation day of the Bank

Employees participation in training sessions and Team building activities.

PRODUCTS & SERVICES OFFERED BY THE BANK:

The Bank is offering to 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

Deposit Products

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/-)

Current Account: for Companies/ Individuals

Fixed Deposits:

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 Festival Deposit Account (500 days and 700 days)
3. Baroda Flexi Recurring Deposit from 12 months to 36 months
4. Baroda Recurring Deposit from 12 months to 36 months

Baroda Connect

Transaction based internet banking facility for anywhere/anytime banking

Retail Loan Products

1. Baroda Education loan Scheme for financing children's education

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

3. Baroda Housing loan for purchase of house / flat

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

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

6. Loan Against Future Rent Receivables (In Ugx & USD)

Other Retail Loan Products:

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

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

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

Products like Baroda Asset Finance can be availed for financing assets / plant and machinery for different businesses especially the Small & Medium enterprises (SME). Baroda traders loan will also be useful to the SME units and the Small and Micro enterprises. Customers can avail of 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 and 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

UMEME

NSSF a better future.

URA
Uganda Revenue Authority
DEVELOPING UGANDA TOGETHER

NWSC

KCCA
KAMPALA CAPITAL CITY AUTHORITY
For a better City

CORPORATE GOVERNANCE

This corporate governance statement sets out the governance framework adopted by the Board of Bank of Baroda (Uganda) Limited (the "Company")

Bank of Baroda (Uganda) Limited 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 Company complied with all applicable laws, rules, regulations and guidelines on corporate governance.

The Company's governance framework enables the Board to fulfil its 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 its authority.

Code and regulations

As a licensed commercial bank and listed company, the Company operates in a highly regulated environment and is committed to complying with legislation, regulations, and codes of best practices.

Complying with all applicable legislation, regulations, standards and codes is integral to the Company'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 Company and significant areas of noncompliance if any. 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 Company continues to nurture a strong culture of governance and responsible risk management in line with Group's 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 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 practices in corporate governance and contains among other things poli-cies 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

The Board currently consists of:

- Chairman 1
- Executive Directors 3
- Non-Executive Directors 2

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.

Board composition (continued)

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 the Board Personnel and Administration Committee, they have a prime role 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.

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.

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 annually.

The Board had delegated authority to six principal Board Committees:
- Board Audit Committee
- Board Credit Committee
- Board Risk Committee
- Board Assets and Liabilities Committee
- Board Personnel and administration Committee
- Board Compensation committee

These committees meet at least on a quarterly basis or 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 control of risks.

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 monitoting to ensure that levels of remuneration are appropriate. Information on the remuneration received and the dealings of the directors with the Bank are included in the annual report in note-8.

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.

Share holding pattern as on 31st December 2015

Particulars	Number of Shares	%	Amt in Ugx
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 31st December 2015

Sr.	SHAREHOLDER	NO. OF SHARES	%
1	BANK OF BARODA	1,999,998,750	80.00
2	CRANE BANK LIMITED	62,500,000	2.50
3	MR. SUDHIR RUPARELIA	62,527,250	2.50
4	NATIONAL SOCIAL SECURITY FUND	49,956,250	2.00
5	MRS MAHESHWARY PURUSHOTTAM MORAJARIA & PURUSHOTTAM MORJARIA	25,000,000	1.00
6	PARIAMENTARY PENSION SCHEME	23,159,563	0.93
7	BANK OF UGANDA STAFF RETIREMENT BENEFIT SCHEME AIG	15,975,187	0.64
8	EPACK INVESTMENT FUND LIMITED	15,937,500	0.63
9	DR. JOSEPH BYAMBARA BYAMUGISHA	15,625,000	0.62
10	NATIONAL SOCIAL SECURITY FUND-PINEBRIDGE	12,525,000	0.52

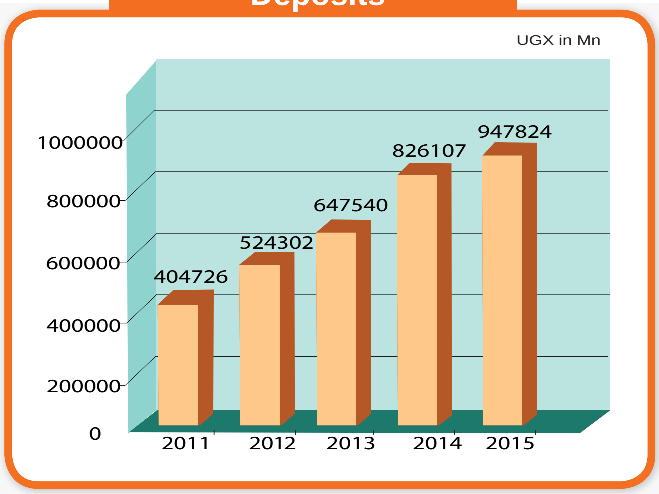
Financial for the last 5 years

	UGX Mn				
	2011	2012	2013	2014	2015
Capital	10,000	10,000	25,000	25,000	25,000
Reserves	94,637	124,912	137,667	169,086	196,295
Deposits	404,725	524,302	647,540	826,107	947,824
Advances	293,241	347,490	435,560	524,358	619,961
Total Business	697,966	871,792	1,083,100	1,350,465	1,567,785
Investments	145,395	199,513	232,082	398,407	267,329
Net Profit	27,661	29,472	30,884	36,890	41,204
Adjusted Earnings per Share*	27	29	12	15	16.48
Dividend per share*	4	2	2	2.5	2.5**

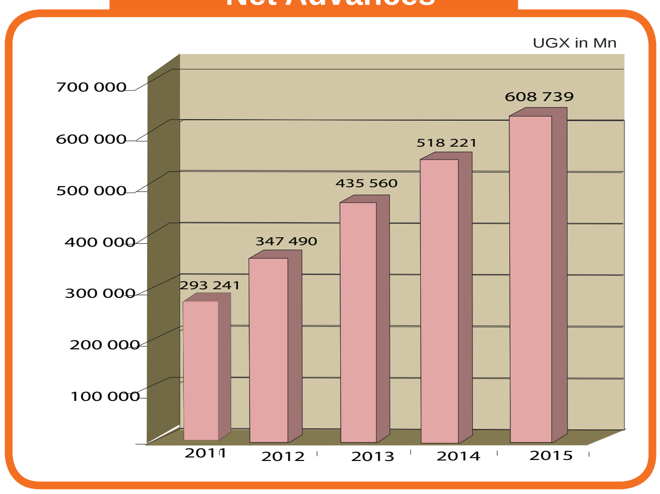
** For the year 2015 the Board of Directors have recommended dividend @ Ugx.2.50 per share.

Growth at a glance

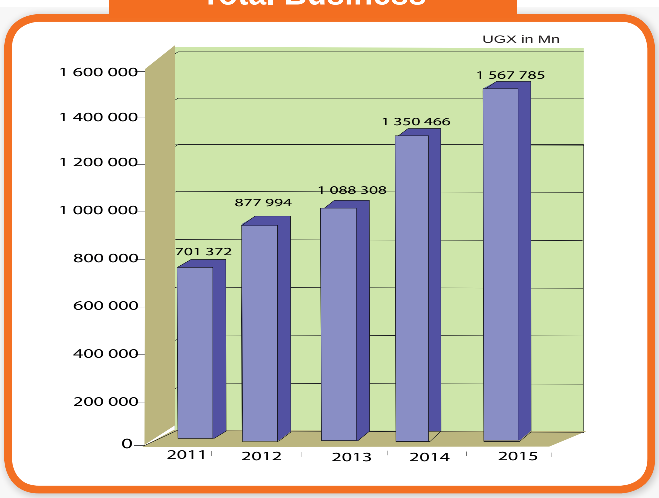
Deposits



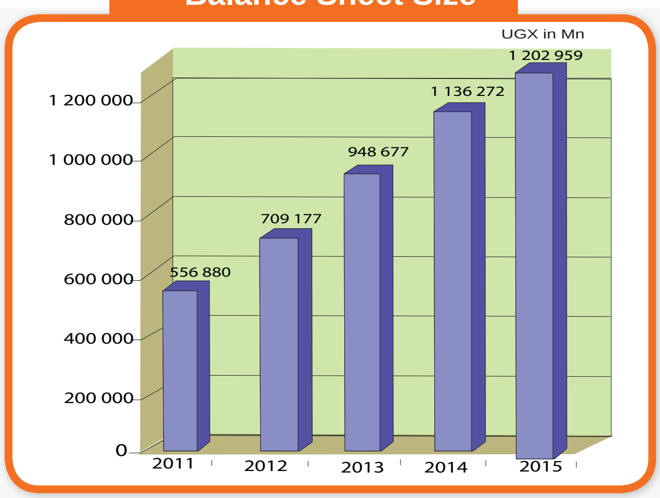
Net Advances



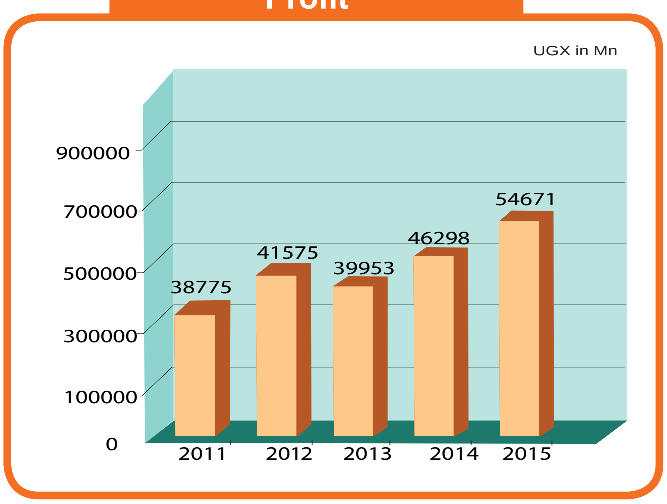
Total Business



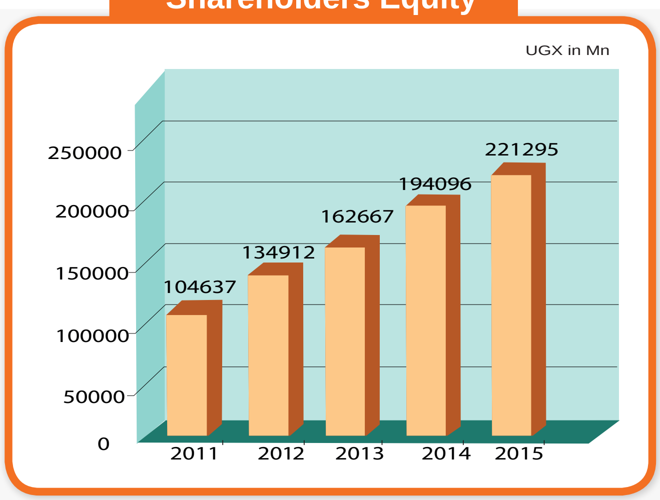
Balance Sheet Size



Profit



Shareholders Equity



Subsidiary

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

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

Income Statement **(Ugx '000)**

Particulars	31.12.2015	31.12.2014
Operating Income	154,471.00	170,050.00
Operating Expenses	60,089.00	53,971.00
Profit before Tax	94,382.00	116,079.00
Tax Expense	29,565.00	34,683.00
Profit after Tax	64,817.00	81,396.00

Statement of Financial Position **(Ugx '000)**

Particulars	31.12.2015	31.12.2014
Assets		
Property & Equipment	2,785.00	3,285.00
Trade & Other Receivables	344,859.00	288,335.00
Cash & Cash Equivalent	294,502.00	168,897.00
Total Assets	**642,146.00**	**460,517.00**
Liabilities		
Trade & Other Payables	138,024.00	22,533.00
Deferred Tax Liabilities	--	-
Total Liabilities	**138,024.00**	**22,533.00**
Shareholder's Equity		
Ordinary Share Capital	40,000.00	40,000.00
Accumulated Reserves	464,122.00	397,984.00
Total Shareholder's Equity	**504,122.00**	**437,984.00**
Total Equity & Liabilities	**642,146.00**	**460,517.00**

The Financial Statements of Baroda Capital Markets (U) Ltd have been audited by M/s PKF Uganda who have given an unqualified report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Dhizaala Moses*	: Board Chairman
Mr. B.S. Dhaka**	: Managing Director
Dr. W. Rama Makuza*	: Board Chairman (Resigned on 09 Jan 2015)
Mr K.N Manvi**	: Non-Executive Director (Appointed on 19 Aug 2015)
Mr. O.P. Khatkar**	: Executive Director (Appointed on 19 Sep 2014)
Mr. V.L. Rao**	: Executive Director (Resigned on 3 Sep 2015)
Mr. Rogers Matama*	: Non-Executive Director (Appointed on 6 Mar 2015)
Mr. Anwar Malik**	: Executive Director (Appointed on 1 Sep 2015)
	* Ugandan ** Indian

CHIEF OFFICERS / EXECUTIVES

Mr. B.S. Dhaka	: Managing Director
Mr. O.P. Khatkar	: Executive Director and Asst. General Manager (Credit & Dev.)
Mr. Manoj Kumar Bakshi	: Chief Manager (Admin) & Company Secretary
Mr. K.R. Meena	: Internal Auditor
Mr. Anwar Malik	: Financial Controller
Mr. Mahesh Arora	: Senior Manager IT
Mr. Obong S.	: Compliance Officer
Mr. Prithiwijit Gosh	: Manager Treasury
Mrs Victoria Ocici	: Manager Risk

BOARD CREDIT COMMITTEE

Mr. K.N Manvi	: Chairman
Mr. B.S. Dhaka	: Managing Director
Mr. Rogers Matama	: Director
Mr. O.P. Khatkar	: Executive Director

BOARD AUDIT COMMITTEE

Mr. Rogers Matama	: Chairman
Mr. K.N Manvi	: Non-Executive Director

BOARD RISK MANAGEMENT COMMITTEE

Mr. B.S. Dhaka	: Chairman (Managing Director)
Mr. K.N Manvi	: Non-Executive Director
Mr. O.P. Khatkar	: Executive Director
Mr. Anwar Malik	: Executive Director

BOARD ASSET AND LIABILITIES COMMITTEE

Mr. B.S. Dhaka	: Chairman (Managing Director)
Mr. K.N Manvi	: Non-Executive Director
Mr. Rogers Matama	: Non-Executive Director
Mr. O.P. Khatkar	: Executive Director
Mr. Anwar Malik	: Executive Director

BOARD PERSONNEL AND ADMINISTRATION COMMITTEE

Mr. K.N Manvi	: Chairman
Mr. B.S. Dhaka	: Managing Director
Mr. Rogers Matama	: Non-Executive Director
Mr. O.P. Khatkar	: Executive Director

COMPENSATION COMMITTEE

Mr. K.N Manvi	: Chairman
Mr. Rogers Matama	: Non-Executive Director

REGISTERED OFFICE	: Plot 18, Kampala Road, : P.O Box 7197 : Kampala, Uganda
COMPANY SECRETARY	: Mr. Manoj Kumar Bakshi : Kampala
INDEPENDENT AUDITOR	: PKF Uganda : Certified Public Accountants : P.O. Box 24544, Kampala
PRINCIPAL LEGAL ADVISORS	: Kateera & Kagumire Advocates & Solictors : 10th Floor, Tall Crested Tower : P.O 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 : New York, United States of America
PARENT BANK	: Bank of Baroda - INDIA. : Baroda Corporate Center : C26, G-Block, Bandra- Kurla Complex : Bandra East, Mumbai - 400 051
SUBSIDIARY	: Baroda Capital Markets (U) Limited : P.O Box 7197 : Kampala, Uganda.
BRANCHES	KAMPALA MAIN RAILWAY STATION KAWEMPE KANSANGA INDUSTRIAL AREA OVINO KOLOLO ENTEBBE MUKONO JINJA IGANGA MBALE LIRA MBARARA KABALE

DIRECTORS' REPORT

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2015, which disclose the state of affairs of the company.

PRINCIPAL ACTIVITIES

The principal activities of the bank is to provide commercial banking services.

The principal activities of Baroda Capital Markets (U) Limited (the subsidiary) is brokerage of securities and shares traded on the Uganda Securities Exchange.

KEY FINANCIAL HIGHLIGHTS AS ON 31 DECEMBER 2015

- Deposits increased by 14.75% in 2015 to Ush. 947,976 mn. from Ush. 826,107 mn. in 2014
- Advances net of impairment provisions increased by 17.47% in 2015 to Ushs.608,739 mn from Ush.518,221 mn in 2014
- Total Business (Deposits + Advances) increased by 16.10% in 2015 to Ush. 1,567,937 mn. from Ush. 1,350,466, mn in 2014
- Balance sheet size increased by 5.87 % in 2015 to Ush.1,202,503 mn from Ush.1,135,852 mn in 2014.
- Total income increased by 7.83% to Ush. 145,616 Mn in 2015 from Ush.135,038 Mn in 2014.
- Net Profit after Tax increased by 11.75% in 2015 to Ush. 41,133 mn from Ush.36,808 mn in 2014
- Gross NPA as a percentage of total advances is at 1.14% in 2015 decreased from 1.36% in 2014.
- Capital Adequacy Ratio as at 31st December 2015 was 30.00%.
- Return on Assets was 3.42% as at 31st December 2015.
- Return on shareholders' worth was 18.62% as at 31st December 2015.

SHARE CAPITAL

The authorised, issued and fully paid share capital of the Bank was Shs 25 Billion (2014: Shs 25 Billion) representing 2,500 million shares (2014: 2,500 million) of Shs 10 each.

DIVIDEND

The board of directors propose a final dividend of Shs 2.50 per share (2014: Shs 2.50 per share) amounting to a total of Shs 6,250,000,000 (2014: Shs 6,250,000,000).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company'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 company's 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.

The bank has policies in place to ensure that banking services are availed to customers with good performance and credit history

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 15.

In accordance with the company's Articles of Association, no director is due for retirement by rotation

CAPITAL ADEQUACY

Bank of Baroda (Uganda) Limited (the Company) monitors the adequacy of its capital using ratios established by Bank of Uganda with reference to computations from International Convergence of Capital Measurement and Capital Standards (Committee on Banking Regulations and Supervisory Practice, Basle, 1998). These ratios measure capital adequacy by comparing the Bank's eligible capital with total risk-adjusted assets plus risk-adjusted off balance sheet items as may be determined by Bank of Uganda by statutory instrument

Assets are weighted according to broad categories of notional credit risk, being assigned a risk weight 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 the Bank of Uganda have a zero risk weight, 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 carrying amount. Other asset categories have intermediate risk weights.

Off-balance sheet credit related commitments such as guarantees and acceptances, performance bonds, documentary credit etc., are taken into account by applying different categories of credit risk conversion factors, designed to convert these items into balance sheet equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for balance sheet assets.

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, general provisions and non-dealing investments.

Disclosures in respect to capital management and capital adequacy ratios are set out in note 4 (e).

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.

OPERATING AND REGULATORY ENVIRONMENT

The year opened with US$/Ushs 2,780 in the month of January 2015 and the same was highest during the year and closed at around US$/Ushs. 3,380 by the end of December 2015.

The bank complied with the minimum core capital and total capital requirements, which are 28.54% and 30.00% as against regulatory requirement of 8% and 12% respectively.

CORPORATE GOVERNANCE

The Bank's Corporate governance philosophy encompasses not only Regulatory and legal requirements, but also several best practices aimed at a high level of Business ethics, effective supervision and enhancement of value for all the stakeholders. The corporate governance framework is based on an effective and independent Board, the separation of the Board's supervisory role from the Executive Management and the constitution of Board Committees comprising a majority of independent 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. The audited annual financial statements do not carry any qualification from the statutory auditors.

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 knowledge worker to enable them to cope with increased customer expectations and new areas of Banking outside the traditional zone. Mainly Bank of Baroda, India and the Uganda Institute of Bankers conduct the training in addition to Conferences and workshops organized by Bank of Uganda (BOU) and Federation of Uganda Employers (FUE). Furthermore, the bank has conducted a number of in-house 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.

INFORMATION TECHNOLOGY

With effect from 25th February 2008 the bank has installed Banking Software (Finacle) which was developed by Infosys Technologies Limited. All the branches of the bank are inter-connected using Finacle System. We continue to deploy technology for use in Banking. The Bank has implemented transaction based internet banking "Baroda Connect" in June 2010. The Bank has launched its web-site in June 2011 facilitating our customers and public at large to have updated information about the Bank and its various Products / Services. The Bank has also implemented e-collection of Uganda Revenue Authority (URA) Taxes and National Water & Sewerage Corporation (NWSC) Water Taxes from November 2011 ; Collection of NSSF contributions from Employers since Auguist-2012 and Collection of UMEME bills since July - 2013. SMS alert system for ATM withdrawals and other debit and credit transactions has also been implemented during year ended 2014. Continued focus on leveraging technology has resulted in process efficiencies and enhanced customer convenience.

INDEPENDENT AUDITOR

M/s. PKF Uganda, Certified Public Accountants, Uganda were appointed as Statutory Auditors of the Company in accordance with section 167(1) of the Companies Act and were duly approved by the Bank of Uganda in accordance with section 62 of the Financial Institutions Act 2004. They have audited books of accounts of the Bank for the year 2014& 2015. In terms of the provisions of the Financial Institutions Act, External Auditors can conduct audit of the Bank for a maximum period of 4 years. However, as the name of M/s. PKF Uganda does not appear in the pre-qualified list of External Auditors for the commercial banks, published by the Bank of Uganda for the year 2016, we recommend the name of M/s. Grant Thornton, Certified Public Accountants, as a Statutory /External Auditors of the Bank for the year 2016 which is approved by the Board.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 28 day of April, 2016

BY ORDER OF THE BOARD

Manoj Kr Bakshi
COMPANY SECRETARY
KAMPALA

28/04/2016

STATEMENT OF DIRECTORS' RESPOSBILITIES

The Companies Act, 2012 requires the directors to prepare consolidated financial statements for each financial year that give a true and fair view of the state of affairs of the group and of the bank as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the bank. They are also responsible for safeguarding the assets of the bank.

The directors accept responsibility for the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

ii. Selecting and applying appropriate accounting policies;

iii. Making accounting estimates and judgements that are reasonable in the circumstances;

The Directors are of the opinion that the consolidated financial statements give a true and fair view of the financial position of the group and of the bank as at 31 December 2015 and of the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Uganda Companies Act, 2012.

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

Approved by the board of directors on 28th April 2016 signed on its behalf by:

Mr. Dhizaala S. Moses - Chairman

Mr. B.S Dhaka - Managing Director

Mr. O.P. Khatkar - Executive Director

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BANK OF BARODA (UGANDA) LIMITED

Report on the financial statements

We have audited the accompanying consolidated financial statements of Bank of Baroda (Uganda) Limited and its subsidiary ,set out on pages 23 to 73 which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for financial statements

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

Auditor's responsibility

Our responsibility is to express an independent opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion the accompanying financial statements in all material aspects give a true and fair view of the state of the bank's financial position as at 31 December 2015 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Uganda Companies Act, 2012 and the Financial Institutions Act 2004.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BANK OF BARODA (UGANDA) LIMITED (CONTINUED)

Report on other legal requirements

As required by the Companies Act 2012, (Section 170) we report to you, based on our audit, that:

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii. the consolidated statement of financial position and consolidated statement of profit and loss and other comprehensive income are in agreement with the books of account.

PKF Uganda.
Certified Public Accountants

KAMPALA

28 April, 2016

REF: CO/B040/633/16

CONSOLIDATED AND COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
		2015	2014	2015	2014
	Notes	Shs'000	Shs'000	Shs'000	Shs'000
Interest income	5	128,356,589	119,967,849	128,356,589	119,967,849
Interest expense	6	**(54,098,499)**	**(62,006,983)**	**(54,098,499)**	**(62,006,983)**
Net interest income		74,258,090	57,960,866	74,258,090	57,960,866
Non interest income/other income	7	17,414,090	15,239,918	17,259,619	15,069,869
Non interest expenses	8	**(37,098,034)**	**(25,973,397)**	**(37,043,961)**	**(25,919,427)**
Profit before impairment on loans and advances		54,574,146	47,227,387	54,473,748	47,111,309
Impairment losses on loans and advances		97,222	(929,619)	97,222	(929,619)
Profit before tax		54,671,368	46,297,768	54,570,970	46,181,690
Tax	10	**(13,467,690)**	**(9,408,006)**	**(13,438,125)**	**(9,373,323)**
Profit for the year		**41,203,678**	**36,889,762**	**41,132,844**	**36,808,367**
Other comprehensive income:					
Items that may be reclassified subsequently					
to profit or loss:					
Available for sale financial assets:					
- Losses arising during the year	12	(3,675,421)	(658,087)	(3,677,310)	(664,012)
- Deferred tax relating to items that may not be reclassified		**1,102,627**	**197,426**	**1,103,193**	**199,204**
Other comprehensive income (net of tax)		**(2,572,794)**	**(460,661)**	**(2,574,117)**	**(464,808)**
Total comprehensive income for the year		**38,630,884**	**36,429,101**	**38,558,727**	**36,343,558**
Dividend Proposed final dividend for the year	28	**6,250,000**	**6,250,000**	**6,250,000**	**6,250,000**
Earnings per share for profit attributable to the equity holders of the bank during the year (expressed In Shs per share)					
Basic and diluted	32	**16.48**	**14.76**	**16.45**	**14.72**

The notes on pages 28 to 73 form an integral part of these financial statements.

Report of the independent auditor - pages 21 and 22.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

		Group		Company	
ASSETS	**Notes**	**2015 Shs'000**	**2014 Shs'000**	**2015 Shs'000**	**2014 Shs'000**
Cash and balances with Bank of Uganda	11	88,714,565	78,635,496	88,414,058	78,466,598
Government securities	12	267,329,020	398,407,320	267,329,020	398,407,320
Placements	12	210,502,754	110,750,000	210,502,754	110,750,000
Loans and advances to customers (net)	13	608,739,120	518,221,157	608,739,120	518,221,157
Amounts due from overseas branches of parent company	14	2,516,876	16,602,940	2,516,876	16,602,940
Deposits and balances due from other financial institutions	22	10,680,261	-	10,680,261	-
Other assets	15	2,791,103	2,900,629	2,608,474	2,615,889
Current tax receivable		539,053	-	531,125	-
Investment in subsidiary	16	-	-	40,000	40,000
Deferred income tax	17	1,497,378	656,453	1,494,994	653,531
Intangible assets	18	20,521	20,792	20,521	20,792
Property and equipment	19	9,628,731	10,077,293	9,625,947	10,074,008
Total assets		1,202,959,382	1,136,272,080	1,202,503,150	1,135,852,235
LIABILITIES					
Other financial liabilities	20	9,296,598	53,844,298	9,296,598	53,844,298
Customer deposits	21	947,823,823	826,107,370	947,975,755	826,107,370
Deposits and balances due to other financial institutions	22	-	6,734,241	-	6,734,241
Amounts due to overseas branches of parent bank	14	-	324,794	-	324,794
Other liabilities	23	23,299,087	53,567,249	23,161,063	53,544,713
Current tax payable		-	244,226	-	244,897
Retirement benefit obligation	24	1,245,189	1,353,892	1,245,189	1,353,892
Total liabilities		981,664,697	942,176,070	981,678,605	942,154,205
CAPITAL AND RESERVES					
ATTRIBUTABLE TO THE COMPANY'S					
EQUITY HOLDERS					
Share capital	25	25,000,000	25,000,000	25,000,000	25,000,000
Reserves	33	5,228,139	9,952,350	5,228,139	9,952,351
Proposed dividend	28	6,250,000	6,250,000	6,250,000	6,250,000
Retained income		184,816,546	152,893,660	184,346,406	152,495,679
Total shareholders` equity		221,294,685	194,096,010	220,824,545	193,698,030
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**1,202,959,382**	**1,136,272,080**	**1,202,503,150**	**1,135,852,235**

The financial statements on pages 23 to 73 were approved for issue by the Board of Directors on 28/04/2016 and signed on its behalf by:

Mr. Dhizaala S. Moses - Chairman

Mr. B.S Dhaka - Managing Director

Mr. O.P Khatkar - Executive Director

The notes on pages 28 to 73. form an integral part of these financial statements.
Report of the independent auditor - pages 21 and 22.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Ordinary Share capital	Regulatory general credit reserve	Re-valuation reserve	Fair value assets available-for-sale	Proposed dividend	Retained earnings	Total
Group		**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Year ended 31 December 2014	**Notes**							
At start of year		25,000,000	4,247,868	4,842,753	-	5,000,000	123,576,288	162,666,909
Changes in equity:								
Total comprehensive income for the year		-	-	-	(460,661)	-	36,889,762	36,429,101
Transfer to investment fluctuation reserves		-	-	-	460,661	-	(460,661)	-
Transfer to regulatory reserves	26	-	1,031,226	-	-	-	(1,031,226)	-
General provision removal		-		-			-	
Transfer of excess depreciation on revaluation	27	-	-	(242,138)	-	-	242,138	-
Deferred tax on excess deprecia-tion	27	-	-	72,641	-	-	(72,641)	-
		25,000,000	5,279,094	4,673,256	-	5,000,000	159,143,660	199,096,010
Dividends paid	28	-	-	-	-	(5,000,000)	-	(5,000,000)
Dividends proposed		-	-	-	-	6,250,000	(6,250,000)	-
At end of year		25,000,000	5,279,094	4,673,256	-	6,250,000	152,893,660	194,096,010
Year ended 31 December 2015								
At start of year		25,000,000	5,279,094	4,673,256	-	6,250,000	152,893,660	194,096,010
Changes in equity:								
Total comprehensive income for the year:		-	-	-	(2,572,794)	-	41,203,678	38,630,885
Transfer to investment fluctuation reserves		-	-	-	2,572,794	-	(2,572,794)	-
Appropriation of general reserve	26		(5,182,210)					(5,182,210)
Transfer to regulatory reserves	26	-	621,562	-	-	-	(621,562)	-
Transfer of excess depreciation on revaluation	27	-	-	(233,663)	-	-	233,663	-
Deferred tax on excess deprecia-tion	27	-	-	70,099	-	-	(70,099)	-
		25,000,000	718,446	4,509,693	-	6,250,000	191,066,546	227,544,685
Dividends paid	28	-	-	-	-	(6,250,000)	-	(6,250,000)
Dividends proposed		-	-	-	-	6,250,000	(6,250,000)	-
At end of year		25,000,000	718,446	4,509,693	-	6,250,000	184,816,546	221,294,685

The notes on pages 28 to 73 form an integral part of these financial statements.
Report of the independent auditor - pages 21 and 22.

COMPANY STATEMENT OF CHANGES IN EQUITY

		Ordinary share capital	Regulatory general credit reserve	Re-valuation reserve	Fair value assets available-for-sale	Proposed dividend	Retained earnings	Total
Company		**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Year ended 31 December 2014	**Notes**							
At start of year		25,000,000	4,247,868	4,842,753	-	5,000,000	123,263,850	162,354,471
Changes in equity:								
Total comprehensive income for the year:		-	-	-	(464,808)	-	36,808,367	36,343,558
Transfer to investment fluctuation reserves		-	-	-	464,808	-	(464,808)	-
Transfer to regulatory reserves	26	-	1,031,226	-	-	-	(1,031,226)	-
Transfer of excess depreciation on revaluation	27	-	-	(242,138)	-	-	242,138	-
Deferred tax on excess depreciation	27	-	-	72,641	-	-	(72,641)	-
		25,000,000	5,279,094	4,673,257	-	5,000,000	158,745,679	198,698,029
Dividends paid		-	-	-	-	(5,000,000)	-	(5,000,000)
Dividends proposed	28	-	-	-	-	6,250,000	(6,250,000)	-
At end of year		25,000,000	5,279,094	4,673,257	-	6,250,000	152,495,679	193,698,030
Year ended 31 December 2015								
At start of year		25,000,000	5,279,094	4,673,257	-	6,250,000	152,495,679	193,698,030
Changes in equity:								
Total comprehensive income for the year:		-	-	-	(2,574,117)	-	41,132,844	38,558,728
Appropriation of general reserve	26	-	(5,182,210)	-	-	-	-	(5,182,210)
Transfer to investment fluctuation reserves		-	-	-	2,574,117	-	(2,574,117)	-
Transfer to regulatory reserves	26	-	621,562	-	-	-	(621,562)	-
Transfer of excess depreciation on revaluation	27	-	-	(233,663)	-	-	233,663	-
Deferred tax on excess depreciation	27	-	-	70,099	-	-	(70,099)	-
		25,000,000	718,446	4,509,693	-	6,250,000	190,596,406	227,074,545
Dividends paid		-	-	-	-	(6,250,000)	-	(6,250,000)
Dividends proposed	28	-	-	-	-	6,250,000	(6,250,000)	-
At end of year		**25,000,000**	**718,446**	**4,509,693**	**-**	**6,250,000**	**184,346,406**	**220,824,545**

The notes on pages 28 to 73 form an integral part of these financial statements.
Report of the independent auditor - pages 21 and 22.

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

		Group		Company	
		2015	2014	2015	2014
	Notes	Shs'000	Shs'000	Shs'000	Shs'000
Cash flows from operating activities					
Interest receipts		128,610,751	119,036,610	128,510,104	118,894,715
Interest payments		(64,447,762)	(53,623,136)	(64,447,762)	(53,623,136)
Net fee and commission receipts		12,514,886	12,701,289	12,514,886	12,701,289
Other income received		3,187,049	2,116,157	3,133,226	2,087,380
Recoveries on loans previously written off		1,221,110	281,200	1,221,110	281,200
Payments to employees and suppliers		(27,564,219)	(13,819,674)	(27,510,635)	(13,771,629)
Income tax paid		(13,989,265)	(8,805,150)	(13,952,419)	(8,765,036)
Cash flows from operating activities before changes in operating assets and liabilities		39,532,550	57,887,296	39,468,510	57,804,784
Loans and advances		(95,602,953)	(83,590,858)	(95,602,953)	(83,590,858)
Cash reserve requirement		(2,180,000)	(9,560,000)	(2,180,000)	(9,560,000)
Government securities maturing 90 days after date of acquisition		30,014,951	(58,550,301)	30,014,951	(58,550,301)
Other assets		(40,613)	(353,455)	7,415	(323,916)
Customer deposits		121,868,384	178,567,006	121,868,384	178,567,006
Amounts due to overseas branches of parent bank		(324,794)	316,266	(324,794)	316,266
Deposits and balances due to other financial institutions		(6,734,241)	6,161,849	(6,734,241)	6,161,849
Other liabilities		(30,268,053)	18,246,489	(30,383,650)	18,321,087
Other financial liabilities		(44,547,700)	(47,519,499)	(44,547,700)	(47,519,499)
Net cash (used in)/generated from operating activities		(27,815,017)	3,717,496	(27,882,586)	3,821,633
Cash flows from investing activities					
Cash paid for purchase of property and equipment	19	(938,825)	(406,577)	(938,825)	(406,577)
Cash paid for purchase of intangible assets	18	(15,187)	(31,188)	(15,187)	(31,188)
Proceeds from sale of property and equipment		28,331	7,000	28,331	7,000
Net cash used in investing activities		(925,681)	(430,766)	(925,680)	(430,766)
Cash flows from financing activities					
Dividend paid		(6,250,000)	(5,000,000)	(6,250,000)	(5,000,000)
Net cash used in financing activities		(6,250,000)	(5,000,000)	(6,250,000)	(5,000,000)
Increase in cash and cash equivalents		4,541,853	56,174,026	4,410,243	56,195,651
Movement in cash and cash equivalents					
At start of year		441,158,460	384,984,434	440,989,563	384,793,912
Increase in cash and cash equivalents		4,541,853	56,174,026	4,410,243	56,195,651
At end of year	30	**445,700,313**	**441,158,460**	**445,399,806**	**440,989,563**

The notes on pages 28 to 73 form an integral part of these financial statements.
Report of the independent auditor - pages 21 and 22.

NOTES: SIGNIFICANT ACCOUNTING POLICIES

1. General Information

Bank of Baroda (Uganda) Limited (the Bank) is incorporated in Uganda under the Companies Act as a limited liability company, and is domiciled in Uganda. The address of its registered office is:

Plot 18, Kampala Road

P O Box 7197
Kampala, Uganda

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

2. Summary of significant accounting policies

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

2.1. Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 4.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The financial performance of the group is set out in the report of the directors and in the consolidated statement of profit or loss and the other comprehensive income. The financial position of the group is set out in the consolidated statement of financial position. Disclosures in respect to capital management are set out in note 4 (e).

Based on the financial performance and position of the group and its risk management policies, the directors are of the opinion that the group is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Going concern (continued)

These consolidated financial statements comply with the requirements of the Companies Act, 2012. The statement of profit or loss and statement of comprehensive income represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

Statement of cash flows

During the year, the Bank changed its method of preparation and presentation of the statement of cash flows. The Bank now applies the direct method as compared to indirect method of preparation as done in the previous years.

The change in presentation of the statement of cashflows has been done restrospectively . Management believes the new method is preferable as it will result in the statement of cash flows providing more relevant and no less reliable information.

The analysis and changes in cash and cash equivalents has been disclosed under Note 30 of these consolidated financial statements.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

A number of new and revised Standards and Interpretations have been adopted in the current year. Their adoption has had no material impact on the amounts reported in these consolidated financial statements.

(b) New standards and interpretations that are not yet effective and have not been early adopted

- At the date of authorisation of these consolidated financial statements the following standards and Interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective for the year presented:

- Amendments issued in December 2014 to IAS 1 ‘Presentation of Financial Statements’ which will be effective for annual accounting periods beginning on or after 1 January 2016 clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments issued in May 2014 to IAS 16 and IAS 38 ‘Intangible Assets’ which will be effective for annual periods beginning on or after 1 January 2016 add guidance and clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate; however, this presumption can be rebutted in certain limited circumstances.

- Amendments issued in August 2014 to IAS 27 ‘Separate Financial Statements’ which will be effective for annual periods beginning on or after 1 January 2016 reinstate the equity method option to account for investments in subsidiaries, joint venture and associates in separate financial statements.

- Amendment (Annual Improvements to IFRSs 2012-2014 Cycle, issued in September 2014) to IFRS 7 ‘Financial Instruments: Disclosures’ which will be effective for annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policy and disclosures (Continued)

(b) New standards and interpretations that are not yet effective and have not been early adopted (continued)

- IFRS 9 'Financial Instruments'(Issued in July 2014) will replace IAS 39 and will be effective for annual periods beginning on or after 1 January 2018.It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.

  IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

  In respect of financial liabilities, the most significant effect of IFRS 9 where the fair value option is taken will be in respect of the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is at is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  In respect of impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract.

  In respect of hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risks.

- Amendments issued in September 2014 to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associated and Joint Ventures' which will be effective for annual periods beginning on or after 1 January 2016 address a current conflict between the two standards and clarify that gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

- IFRS 15 'Revenue from Contracts with Customers' (issued in May 2014) effective for annual periods beginning on or after 1 January 2018, replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and their interpretations (SIC-31 and IFRIC 13,15 and 18).It establishes a single and comprehensive framework for revenue recognition based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance.

- IFRS 16 'Leases' (issued in January 2016) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

  The directors expect that the future adoption of IFRS 9, IFRS 15 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The directors do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

2. Summary of significant accounting policies (Continued)

2.3 Key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make the judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Impairment of loans and advances -** the company reviews their portfolio of loans and advances on an quarterly basis. In determining whether loans and advances are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

- **Useful lives of property and equipment -** Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values

- **Fair value measurement and valuation process -** In estimating the fair value of an asset or a liability, the group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the group makes use of financial models or engages third party qualified values to perform the valuation and provide inputs to the model.

2.4 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those designated at fair value through profit or loss, are recognised within 'interest income' or 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

2.5 Investment in subsidiary/consolidation

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies. Control is achieved when the company; has power over the trustee; is exposed or has right to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The group also assesses the existence of control where it does not have a majority of the voting rights power but is able to govern the financial and operating policies of a subsidiary. Control may arise in certain circumstances such as where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, where potential voting rights are held by the company and rights from other contractual arrangements etc.

2. Summary of significant accounting policies (Continued)

2.5 Investment in subsidiary/consolidation (Continued)

When the company has assessed and has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The company reassesses whether or not it controls an investee. If facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the company gains control until the date the company ceases to control the subsidiary.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition and up to the effective date of disposal as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary adjustments are made to financial statements of the subsidiaries to bring their accounting policies into line with the groups accounting policy.

2.6 Translation of foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Ugandan Shillings (Shs), which is the Bank's presentation currency and figures are stated in thousands of Shillings (Shs`000) unless otherwise stated.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are available, the forward rate is used at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; nonmonetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss

2. Summary of significant accounting policies (Continued)

2.6 Translation of foreign currencies (continued)

Changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount, are recognized in other comprehensive income

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

2.7 Fees and commission income and expense

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised over the life of the loan.

2.8 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the consolidated financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.9 Financial assets and liabilities

2.9.1 Financial assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The directors determine the classification of its financial assets at initial recognition. The Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

(a) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Bank as at fair value through profit or loss upon initial recognition.
A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in profit or loss and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income' or 'Dividend income', respectively . Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

2. Summary of significant accounting policies (Continued)

2.9 Financial assets and liabilities (Continued)

2.9.1 Financial assets (continued)

(b) Loans, advances and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss;
- those that the Bank upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans, advances and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans, advances and receivables are reported in the statement of financial position as loans and advances to banks or customers or as investment securities. Interest on loans is included in the income statement and is reported as 'Interest income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the income statement as 'Impairment charge for credit losses'.

(c) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the directors have the positive intention and ability to hold to maturity, other than:

- those that the Bank upon initial recognition designates as at fair value through profit or loss;
- those that the Bank designates as available-for-sale; and
- those that meet the definition of loans and receivables.

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

(d) Available-for-sale

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, for all financial assets except those carried at fair value through profit or loss, transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Loans, advances and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Bank's right to receive payment is established.

2.9.2 **Financial liabilities**

The Bank's holding in financial liabilities represents mainly deposits from banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

2. Summary of significant accounting policies (Continued)

2.9 Financial assets and liabilities (Continued)

2.9.3 Measurement

(a) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting dates.

For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models such as present value techniques are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 3.

The Bank uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Bank's credit spreads widen, the Bank recognises a gain on these liabilities because the value of the liabilities has decreased. When the Bank's credit spreads narrow, the Bank recognises a loss on these liabilities because the value of the liabilities has increased.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

Financial assets that are transferable to a third party but do not qualify for de-recognition are presented in the statement of financial position as 'Pledged assets'.

(b) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

2. Summary of significant accounting policies (Continued)

2.9.3 Measurement (Continued)

(a) Fair value measurement (Continued)

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the bank is recognised as a separate asset or liability in the statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

2.9.5 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Summary of significant accounting policies (Continued)

2.9 Financial assets and liabilities (continued)

2.9.6 Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table as follows:

Category		Class (as determined by the Bank)		Subclasses
Financial assets	Financial assets at fair value through profit or loss	Financial assets held for trading	Debt securities	
			Equity securities	
			Derivatives – non-hedging	
		Financial assets designated at fair value through profit or loss	Debt securities	
			Equity securities	
			Loans and advances to banks	
			Loans and advances to customers	
	Loans and receivables	Loans and advances to banks		
		Loans and advances to customers	Loans to individuals (retail)	Overdrafts
				Credit cards
				Term loans
				Mortgages
			Loans to corporate entities	Large corporate
				Customers
				SMEs
		Investment securities - debt instruments		Others
				Listed
	Held-to-maturity Investments	Investment securities - debt instruments		Unlisted
				Listed
		Investment securities - debt instruments		Listed
	Available-for-sale financial assets	Investment securities - debt instruments		Listed
		Investment securities - equity securities		Listed
				Unlisted
	Financial liabilities at amortised cost	Deposits from banks		
		Deposits from customers	Retail customers	
			Large corporate customers	
			SMEs	
Off-balance sheet financial Instruments	Loan commitments			
	Guarantees, acceptances and other financial facilities			

Continual Focus on Customer Satisfaction

2. Summary of significant accounting policies (Continued)

2.10 Impairment of financial assets

(a) Assets carried at amortised cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
the disappearance of an active market for that financial asset because of financial difficulties; or

(e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by the directors for each identified portfolio. In general, the periods used vary between 3 and 12 months; in exceptional cases, longer periods are warranted.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

2. Summary of significant accounting policies (Continued)

2.10 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (Continued)

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statements.

In addition to the measurement of impairment losses on loans and advances in accordance with the International Financial Reporting Standards as set out above, the Bank is also required by the Financial Institutions Act (FIA) 2004 to establish provisions for losses on loans and advances as follows;

(i) A specific provision for those loans and advances considered to be non-performing based on criteria and classification of such loans and advances established by the Bank of Uganda, as;

(a) substandard assets being facilities in arrears between 91 and 180 days – 20%;

(b) doubtful assets being facilities in arrears between 181 days and 360 days – 50%;

(c) loss assets being facilities in arrears between over 360 days – 100%; and

(ii) A general provision of at least 1% of their total outstanding credit facilities net of specific provisions and interest in suspense

Where provisions for impairment of loans and advances determined in accordance with the Financial Institutions Act 2004 exceed amounts determined in accordance with International Financial Reporting Standards, the excess is taken to the statutory credit risk reserve as an appropriation of retained earnings. Otherwise no further accounting entries are made.

(b) Assets carried at fair value

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the statement of financial position date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been re-measured to fair value directly through equity, is impaired, the impairment loss is recognised in the income statement. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to the income statement and is recognised as part of the impairment loss. The amount of the loss recognised in the income statement is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

If, in a subsequent period, the amount relating to impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

2. Summary of significant accounting policies (Continued)

2.14 Income tax (Continued)

(b) Deferred income tax

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.
Deferred income tax assets are categorized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be categorised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

(i) With the Bank as lessee

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(ii) With the Bank as lessor

When assets are leased out under a finance lease, the present value of the lease payments is categorized as a receivable. The difference between the gross receivable and the present value of the receivable is categorized as unearned finance income. Lease income is categorized over the term of the lease using the net investment method (before income tax), which reflects a constant periodic rate of return.

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Central Bank, Treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents excludes the Cash Reserve Requirement held with the Central Bank.

2.17 Employee benefits/post employment benefits

A majority of the bank`s employees are eligible for annual leave and long service awards. The bank also contributes for its employees to the National Social Security Fund (NSSF). Provisions for annual leave and long service rewards and contributions to NSSF are charged to the income statement as incurred. Any differences between the charge to income and NSSF contributions payable is recorded in the balance sheet under other payables, while separate provisions are made for leave pay and long service awards.

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is categorized as an expense accrual.

2. Summary of significant accounting policies (Continued)

2.18 Borrowings

Borrowings are categorized initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is categorized in the income statement over the period of the borrowings using the effective interest method.

2.19 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the categorized amounts and there is an intention to settle on a net basis, or categorise the asset and settle the liability simultaneously.

2.20 Dividends payable

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

2.21 Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

3. Critical accounting estimates and judgements in applying accounting policies

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3. Critical accounting estimates and judgements in applying accounting policies (continued)

(b) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

(c) Held-to-maturity investments

In accordance with IAS 39 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortised cost. If all held-to-maturity investments were to be so reclassified, the carrying value would reduce by nil (2012: decrease by nil), with a corresponding entry in the fair value reserve in shareholders' equity.

(d) Income taxes

The Bank is subject to income taxes in Uganda. Significant judgment is required in determining the Bank's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank 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.

4. Financial Risk Management (Continued)

4. **Financial Risk Management**

The Bank'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 Bank's business, and the financial risks are an inevitable consequence of being in business. The Bank'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) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is the most important risk for the Bank'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 Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks 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 bank.

Measurement of credit risk

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

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

The bank 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.

Notes (Continued)

4. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Risk limit control and mitigation policies

The bank 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 bank.

- Developing and maintaining the bank`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 bank.

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

- Review and assessment of credit risk - bank 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 bank.

- The management provide assistance to the business units/branches to promote best practices for credit appraisal throughout the bank 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 bank 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.

4. Financial Risk Management (Continued)

(a) Credit risk (Continued)

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 Bank 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 Bank on behalf of a customer categorized a third party to draw drafts on the Bank 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.

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 Bank 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 Bank 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

	2015	**2014**
	Shs'000	**Shs'000**
Placements with other banks	210,502,754	110,750,000
Government & other securities:		
- held to maturity	17,991,536	27,775,583
- available for sale	249,337,484	370,631,738
Amounts due from other group companies	2,516,876	16,602,940
Loans and advances to customers (net)	608,739,120	518,221,157
Other assets	2,608,474	2,615,889
Credit exposure relating to off-balance sheet items:		
- Acceptances and letters of credit	44,773,622	48,436,613
- Guarantees and performance bonds	80,325,036	72,005,271
- Commitments to lend	9,034,860	15,605,216
	1,225,829,762	**1,182,644,406**

The table above represents a worst case scenario of credit risk exposure to the Bank at 31 December 2015 and 31 December 2014, 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, 60.6% of the total maximum exposure of the bank is derived from loans and advances to banks and customers (2014: 55.32%). 21.81% represents investments in debt securities (2014: 33.68%).

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

4. Financial Risk Management (Continued)

(a) Credit risk (Continued)

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

- 98.22% of the loans and advances portfolio are neither past due nor impaired
- 98.88% of the loans are backed by collaterals
- 99.80% of the investments in debt securities are government securities.
- The bank exercises stringent control over granting of new loans

	2015	2014
Loans and advances are categorized as follows:	Shs'000	Shs'000
Neither past due nor impaired	608,975,710	513,540,304
Past due but not impaired	3,922,273	3,669,704
Impaired	7,063,459	7,148,482
Gross advances	619,961,442	524,358,490
Less: allowance for impairment (Note 13)	(11,222,322)	(6,137,332)
	608,739,120	518,221,158
No other financial assets are either past due or impaired.		
Loans and advances are categorized as follows:		
Loans and advances neither past due nor impaired		
The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank:		
	2015	2014
	Shs'000	Shs'000
Standard	608,975,710	513,540,304
Loans and advances past due but not impaired		
Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:		
	2015	2014
	Shs'000	Shs'000
Past due up to 30 days	1,635,538	730,255
Past due 31 – 60 days	1,193,406	690,337
Past due 61 – 90 days	1,093,329	2,249,112
Total	**3,922,273**	**3,669,704**

4. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Loans and advances individually impaired

Of the total gross amount of impaired loans, the following amounts have been individually assessed:

			2015	**2014**
Individually assessed impaired loans and advances			**Shs'000**	**Shs'000**
Loans				
-	Corporate		33,862	487,644
-	Retail		3,074,826	3,638,210
			3,108,688	4,125,854
Overdrafts				
-	Corporate		2,580,849	753,742
-	Retail		1,373,922	2,268,886
			3,954,771	3,022,628
Total impaired loans and advances			**7,063,459**	**7,148,483**
Concentration of risk				
Economic sector risk concentrations within the customer loan and deposit portfolios were as follows:				
		Loans and	**Customer**	**Credit**
		advances	**deposits**	**commitments**
At 31 December 2015		%	%	%
Manufacturing		23.81	3.69	33.06
Wholesale and retail trade		28.98	5.7	31.45
Transport and communications		0.46	2.04	0
Building and construction		13.2	2.56	4.31
Agricultural		19.6	4.01	10.43
Individuals		0.71	78.56	13.58
Other		13.24	3.44	7.17
Gross		100.00	100.00	100.00
At 31 December 2014				
Manufacturing		23.63	3.75	22.41
Wholesale and retail trade		14.75	6.58	18.95
Transport and communications		0.47	2.24	-
Building and construction		18.46	2.60	6.71
Agricultural		20.63	4.07	32.49
Individuals		0.98	80.76	-
Other		21.08	-	19.44
Gross		100.00	100.00	100.00

Notes (Continued)

4. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the bank 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 bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposit and calls on cash settled contingencies. The bank 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 bank 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 bank monitors the liquidity ratio on a daily basis.

The table overleaf analyses the bank`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.

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
At 31 December 2015	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Assets						
Cash and balances with Bank of Uganda	88,414,058	-	-	-	-	88,414,058
Other financial assets	124,847,985	114,378,913	189,408,361	47,652,024	1,544,491	477,831,774
Loans and advances to customers	36,124,625	57,009,169	105,370,101	169,937,500	240,297,725	608,739,120
Investment in subsidiary	-	-	-	-	40,000	40,000
Deposit and balances due from other financial institutions	10,680,261					10,680,261
Other assets	-	-	2,608,474	-	-	2,608,474
Amounts due from overseas branches of parent bank	2,516,876	-	-	-	-	2,516,876
Intangible assets	-	-	-	-	20,521	20,521
Current tax receivable	-	-	531,125	-	-	531,125
Property and equipment	-	-	-	-	9,625,947	9,625,947
Deferred tax	-	-	-	-	1,494,994	1,494,994
Total assets (expected maturity dates)	**262,583,805**	**171,388,082**	**297,918,061**	**217,589,524**	**253,023,678**	**1,202,503,150**
Liabilities and shareholders` equity						
Customer deposits	140,436,459	234,458,379	331,888,451	103,688,681	137,503,785	947,975,755
Other financial liabilities	-	-	-	9,296,598	-	9,296,598
Other liabilities	3,279,319	6,376,593	8,536,165	4,968,986	-	23,161,063
Retirement benefit obligations		-	-	-	1,245,189	1,245,189
Current tax payable	-	-	-	-	-	-
Capital and reserves	-	-	-	-	220,824,545	220,824,545
Total liabilities and equity (contractual maturity dates)	**143,715,778**	**240,834,972**	**340,424,616**	**117,954,265**	**359,573,519**	**1,202,503,150**
On balance sheet liquidity gap	**118,868,027**	**(69,446,890)**	**(42,506,555)**	**99,635,259**	**(106,549,841)**	**-**
Off balance sheet						
Acceptance guarantees, letters of credit	14,044,977	40,094,148	67,181,443	3,778,089	-	125,098,657
Credit commitments	9,034,860	-	-	-	-	9,034,860
Total off balance sheet	23,079,837	40,094,148	67,181,443	3,778,089	-	134,133,517
Net liquidity gap	**95,788,190**	**(109,541,038)**	**(109,687,998)**	**95,857,170**	**(106,549,841)**	**(134,133,517)**

4. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
At 31 December 2014	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Assets						
Cash and balances with Bank of Uganda	78,466,598	-	-	-	-	78,466,598
Other financial assets	84,521,983	118,835,600	240,527,425	65,272,312	-	509,157,320
Loans and advances to customers	28,287,631	44,034,889	80,958,604	176,217,420	188,722,614	518,221,158
Investment in subsidiary	-	-	-	-	40,000	40,000
Other assets	-	-	2,615,889		-	2,615,889
Amounts due from overseas branches of parent bank	16,602,940	-	-	-	-	16,602,940
Intangible assets	-	-	-	-	20,792	20,792
Property and equipment	-	-	-	-	10,074,007	10,074,007
Deferred tax	-	-	-	-	653,531	653,531
Total assets (expected maturity dates)	**207,879,152**	**162,870,489**	**324,101,918**	**241,489,732**	**199,510,944**	**1,135,852,235**
Liabilities and shareholders` equity						
Customer deposits	85,151,785	132,437,256	473,620,591	14,133,101	120,764,637	826,107,370
Other financial liabilities	53,844,298	-	-	-	-	53,844,298
Amounts due to overseas branches of parent bank	324,794	-	-	-	-	324,794
Deposits and balances due to banking institutions	6,734,241	-	-	-	-	6,734,241
Other liabilities	3,404,972	5,322,403	44,045,438	771,900	-	53,544,713
Retirement benefit obligations		-	-	-	1,353,892	1,353,892
Current tax payable	244,897	-	-	-	-	244,897
Capital and reserves	-	-	-	-	193,698,030	193,698,030
Total liabilities and equity (contractual maturity dates)	**149,704,987**	**137,759,659**	**517,666,029**	**14,905,001**	**315,816,559**	**1,135,852,235**
On balance sheet liquidity gap	**58,174,165**	**25,110,830**	**(193,564,111)**	**226,584,731**	**(116,305,615)**	**-**
Off balance sheet						
Acceptance guarantees, letters of credit	40,657,199	32,721,729	46,878,835	184,121	-	120,441,884
Credit commitments	15,605,216	-	-	-	-	15,605,216
Total off balance sheet	56,262,415	32,721,729	46,878,835	184,121	-	136,047,100
Net liquidity gap	**1,911,750**	**(7,610,899)**	**(240,442,946)**	**226,400,610**	**(116,305,615)**	**(136,047,100)**

Notes (Continued)

4. Financial Risk Management (Continued)

(C) 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 bank 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 bank, trading and non-trading separately, which are monitored on a daily basis by the treasury department.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the bank 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 Bank`s assessment of past movement is based on data for the past five years. The Bank applies these historical simulation. The actual outcome is monitored regularly to test the validity of the assumptions and parameters/factors used in VaR calculation.

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

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

VaR summary for 2015 and 2014:

- Bank VaR by risk type				
		Average	**High**	**Low**
		Shs`000	**Shs`000**	**Shs`000**
	12 Months ending 31 December 2015			
	Foreign exchange risk	4,198,887	4,355,706	3,962,059
	Interest rate risk	4,293,731	4,369,344	4,105,963
		8,492,618	8,725,050	8,068,023
	12 Months ending 31 December 2014			
	Foreign exchange risk	1,625,950	1,675,883	1,550,540
	Interest rate risk	1,847,326	1,922,317	1,689,989
		3,473,276	3,598,200	3,240,529

4. Financial Risk Management (Continued)

(c) Market risk

- **Value at Risk (Continued)**

- Non trading portfolio VaR by risk type				
		Average	**High**	**Low**
		Shs`000	**Shs`000**	**Shs`000**
12 Months ending 31 December 2015				
Foreign exchange risk		4,198,887	4,355,706	3,962,059
Interest rate risk		3,692,139	3,830,439	
		7,891,026	8,186,145	3,962,059
12 Months ending 31 December 2014				
Foreign exchange risk		1,625,950	1,675,884	1,550,540
Interest rate risk		1,847,326	1,922,317	1,689,989
		3,473,276	3,598,200	3,240,529

- **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.

(i) Foreign exchange risk

The bank 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 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.

		USD	**EURO**	**GBP**	**Other currencies**
Year ended 31 December 2014					
Effect on profit and equity : decrease		(1,043,326)	(12,733)	(3,647)	(206,473)
Year ended 31 December 2015					
Effect on profit and equity : decrease		(2,742,995)	(36,703)	(47,662)	(146,135)

(ii) Currency Risk

The bank is exposed to currency risk through transactions in foreign currencies. The bank`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 bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

4. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Currency risk (Continued)

	EURO	USD	GBP	USH	Others	Total
At 31 December 2015	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Assets						
Cash and balances with Bank of Uganda	92,005	5,899,450	37,502	82,385,101	-	88,414,058
Other financial assets	-	186,147,351	7,892,128	283,792,295	-	477,831,774
Loans and advances to customers	-	333,417,503	-	275,321,617	-	608,739,120
Investment in subsidiary	-	-	-	40,000	-	40,000
Deposits and balances due from banking institutions		10,680,261				10,680,261
Other assets	-	287,596	47,665	2,189,486	83,727	2,608,474
Amounts due from overseas branches of parent bank	1,933,601	450,329	-	-	132,946	2,516,876
Current tax receivable	-	-	-	531,125	-	531,125
Intangible assets	-	-	-	20,521	-	20,521
Property and equipment	-	-	-	9,625,947	-	9,625,947
Deferred tax	-	-	-	1,494,994	-	1,494,994
Total Assets	2,025,606	536,882,490	7,977,295	655,401,086	216,673	1,202,503,150
Liabilities and shareholders` equity						
Customer deposits	1,960,965	518,096,108	7,768,904	420,132,780	16,998	947,975,755
Other financial liabilities	-	-	-	9,296,598	-	9,296,598
Other liabilities	31,290	8,374,034	208,662	14,347,433	199,644	23,161,063
Retirement benefit obligations	-	-	-	1,245,189	-	1,245,189
Current tax payable	-	-	-	-	-	-
Capital and reserves	-	-	-	220,824,545	-	220,824,545
Total liabilities and shareholders' equity	1,992,255	526,470,142	7,977,566	665,846,545	216,642	1,202,503,150
Net on Balance sheet position	33,351	10,412,348	(271)	(10,445,459)	31	-
Off balance sheet						
Acceptance guarantees, letters of credit	2,540,231	97,544,693	736,530	21,981,923	2,295,281	125,098,658
Credit commitments	-	101,843	-	8,933,017	-	9,034,860
Net off Balance sheet position	2,540,231	97,646,536	736,530	30,914,940	2,295,281	134,133,518
Overall position	2,573,582	108,058,884	736,259	20,469,481	2,295,312	134,133,518
At 31 December 2014						
Total Assets	3,972,054	335,785,372	6,489,039	789,561,687	44,083	1,135,852,235
Total Liabilities	4,711,517	332,082,228	6,495,956	792,128,258	434,276	1,135,852,235
Net on Balance sheet position	(739,463)	3,703,144	(6,917)	(2,566,571)	(390,193)	-
Net off Balance sheet position	17,712,174	74,468,290	-	41,217,783	2,648,853	136,047,100
Overall position	16,972,711	78,171,434	(6,917)	38,651,212	2,258,660	136,047,100

Notes (Continued)

4. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Currency risk (Continued)

Exchange rates used for conversion of foreign items were:

		Group		Company	
		2015	2014	2015	2014
US Dollar		3380	2775	3380	2775
GBP		5007	4320	5007	4320
Euro		3678	3374	3678	3374
INR		51	44	51	44
KShs		33	31	33	31

(iii) Interest rate risk

The bank`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 bank`s business strategies.

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

At 31 December 2015	Upto 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with Bank of Uganda	-	-	-	-	-	88,414,058	88,414,058
Other financial assets	124,847,985	114,378,913	189,408,361	47,652,024	1,544,491	-	477,831,774
Loans and advances to customers	36,124,625	57,009,169	105,370,101	169,937,500	240,297,725	-	608,739,120
Investment in subsidiary	-	-	-		-	40,000	40,000
Deposits and balances due from banking institutions	10,680,261						10,680,260
Other assets	-	-	-	-	-	2,608,474	2,608,474
Amounts due from overseas branches of parent bank	2,516,876	-	-	-	-	-	2,516,876
Current tax receivable						531,125	531,125
Intangible assets	-	-	-	-	-	20,521	20,521
Property and equipment	-	-	-	-	-	9,625,947	9,625,948
Deferred tax	-	-	-	-	-	1,494,994	1,494,994
Total assets	**174,169,747**	**171,388,082**	**294,778,462**	**217,589,524**	**241,842,216**	**102,735,119**	**1,202,503,150**
Liabilities and shareholders` equity							
Customer deposits	140,436,459	234,458,379	331,888,451	103,688,681	137,503,785	-	947,975,755
Other financial liabilities	-	-	-	9,296,598	-	-	9,296,598
Other liabilities	-	-	-	-	-	23,161,063	23,161,063
Retirement benefit obligations	-	-	-	-	-	1,245,189	1,245,189
Current tax payable	-	-	-	-	-	-	-
Capital and reserves	-	-	-	-	-	220,824,545	220,824,545
Total liabilities and shareholders' equity	**140,436,459**	**234,458,379**	**331,888,451**	**112,985,279**	**137,503,785**	**245,230,797**	**1,202,503,150**
Interest sensitivity gap as at 31 December 2015	**33,733,288**	**(63,070,297)**	**(37,109,989)**	**104,604,245**	**104,338,431**	**(142,495,678)**	**-**
At 31 December 2014							
Total Assets	129,412,553	162,870,489	321,486,029	241,489,732	188,722,614	91,870,818	1,135,852,235
Total Liabilities and equity	146,055,118	132,437,256	473,620,591	14,133,101	120,764,637	248,841,532	1,135,852,235
Interest sensitivity gap as at 31 December 2014	**(16,642,565)**	**30,433,233**	**(152,134,562)**	**227,356,631**	**67,957,977**	**(156,970,714)**	**-**

4. Financial Risk Management (Continued)

(c) Market risk (Continued)

(iii) Interest rate risk (Continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank. 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 bank 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:

	2015			
	Shs	US $	GB£	Euro
	%	%	%	%
Government securities	17.42	-	-	-
Other financial assets	13.42	0.68	0.42	1.83
Customer deposits		6.21	-	-
				2014
	Shs	US $	GBP £	Euro
	%	%	%	%
Government securities	13.14	-	-	-
Other financial assets	11	2.61	-	-
Customer deposits	5.94	-	-	-

The bank has various financial assets and liabilities at variable rates, which expose the bank to cash flow interest rate risk. The bank regularly monitors financing options available to ensure optimum interest rates are obtained.

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising out of legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from the bank's operations and is faced by all other business entities. The bank endeavours to manage the operational risk by creating a balance between avoidance of cost or financial losses and damage to the bank's reputation within overall cost effectiveness and to avoid control procedures that restrict creativity and initiative. The key responsibility for development policies and programs to implement the bank's operational risk management is with the senior policies and programs to implement the bank's operational risk management is with the senior management of the bank.

4. Financial Risk Management (Continued)

(c) Market risk (Continued)

(iv) Operational risk (Continued)

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

1. Segregation of duties including independent authorisation of transactions
2. Monitoring and reconciliation of transactions
3. Compliance to regulatory and legal requirement
4. Documentation of control and procedure
5. Assessment of the operational risk on a yearly basis to address the deficiencies observed, if any
6. Reporting of operational losses and initiation of remedial action
7. Development of contingency plans
8. Giving training to staff to improve their professional competency
9. Ethical and business standards
10. Obtaining insurance wherever feasible, as a risk mitigation measure.

Compliance of bank's standards is supported by periodic reviews undertaken by Internal Audit. The observations of the Internal Audit is discussed with the management of the bank and the summaries are submitted to the Audit Committee of the Board.

Risk measurement and control

Interest rate, currency, credit, liquidity and other risks are actively managed by management to ensure compliance with the bank's risk limits. The bank'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 bank in measuring the risks inherent in its trading and non-trading positions

(d) Fair values of financial assets and liabilities

The Directors estimate the fair values of the Bank's financial assets and liabilities to approximate their respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the bank at the balance sheet date.

The directors consider that there is no material difference between the fair value and carrying value of the banks' financial assets and liabilities where fair value details have not been presented, except as explained above.

(e) Capital Management

Internally imposed capital requirements

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the statement 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 Bank'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.
- to maintain an optimal capital structure to reduce the cost of capital.

4. Financial Risk Management (Continued)

(e) Capital Management (Continued)

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 Shs 25 Billion as at 31 December 2015; (b) maintain core capital of not less than 8% of total risk weighted assets plus risk weighted off balance sheet items; and (c) maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.

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

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

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

The table below summarizes the composition of regulatory capital and the ratios of the Bank at 31 December:

Core Capital (Tier 1)		**2015**	**2014**
		Shs'000	**Shs'000**
Permanent shareholders' equity		25,000,000	25,000,000
Retained income		184,346,406	152,495,679
Investment in subsidiary		(40,000)	(40,000)
Deferred income tax		(1,494,994)	(653,531)
Intangible assets		(20,521)	(20,792)
Unrealised foreign exchange gain		(5,666)	(1,535)
Total Tier 1 Capital		207,785,225	176,779,821
Supplementary Capital (Tier 2)			
Provisions (collective)		6,141,623	5,182,213
Revaluation reserve		4,509,693	4,673,257
Total Tier 2 Capital		10,651,316	9,855,470
Total Capital (Tier 1+Tier 2)		218,436,541	186,635,290

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

Notes (Continued)

4. Financial Risk Management (Continued)

(e) Capital Management (Continued)

Year ended 31 December 2015	Balance sheet	Risk weight	Risk weighted amounts
Assets			
Notes, coins & other cash assets	8,478,713	0%	-
Balances with Bank of Uganda	79,935,345	0%	-
Placement with Bank of Uganda	-	0%	-
Due from commercial banks in Uganda	78,400,665	20%	15,680,133
Due from foreign banking institutions outside Uganda	35,662,604	100%	35,662,604
Due from foreign related banking institutions outside Uganda	109,636,623	20%	21,927,325
Government securities	267,329,020	0%	-
Loans and advances to customers (Excluding loans secured by 100% cash margin)	569,749,375	100%	569,749,375
Outstanding balance fully secured by FDR/SDR	44,412,922	0%	-
Investment in subsidiary	40,000	0%	-
Property and equipment	9,625,947	100%	9,625,947
Current tax receivable	531,125	100%	531,125
Intangible assets	20,521	0%	-
Deferred income tax	1,494,994	0%	-
Other assets	2,608,474	100%	2,608,474
Sub total	1,207,926,328		655,784,983
Off-balance sheet items			
Contingents secured by cash collateral	24,011,513	0%	-
Direct credit substitutes (guarantees and acceptances)	34,294,727	100%	34,294,727
Direct credit substitutes (multilateral banks)	19,844,107	100%	19,844,107
Transaction related (performance bonds and standbys)	14,408,519	50%	7,204,260
Documentary Credits (trade related and self liquidating)	32,539,792	20%	6,507,958
Other Commitments (unused formal facilities)	9,034,860	50%	4,517,430
Sub total	134,133,518		72,368,482
Total risk-weighted assets			**728,153,465**
		2015	**2014**
		Shs'000	**Shs'000**
On balance sheet		655,784,983	533,385,498
Off Balance sheet		72,368,482	51,200,417
Total risk-weighted assets		728,153,465	584,585,916
Tier 1 Capital		207,785,225	176,779,821
Total Capital (Tier 1+Tier 2)		218,436,541	186,635,290
Capital Ratio			
Tier 1 (BOU Minimum - 8%)		28.54%	30.24%
Tier 1 + Tier 2 (BOU Minimum - 12%)		30.00%	31.92%
*** Breakdown**			
	Shs'000		
Gross loans	619,961,442		
Less : Interest in suspense	-		
Less : Provision (individual)	(5,799,145)		
Less : Cash margin	(44,412,922)		
	569,749,375		

4. Financial Risk Management (Continued)

(e) Capital Management (Continued)

Year ended 31 December 2014	Balance sheet	Risk weight	Risk weighted amounts
Assets			
Notes, coins & other cash assets	8,769,061	0%	-
Balances with Bank of Uganda	69,697,537	0%	-
Placement with Bank of Uganda	27,500,000	0%	-
Due from commercial banks in Uganda	30,525,000	20%	6,105,000
Due from foreign banking institutions outside Uganda	25,006,747	100%	25,006,747
Due from foreign related banking institutions outside Uganda	44,321,193	20%	8,864,239
Government securities	398,407,320	0%	-
Loans and advances to customers (Excluding loans secured by 100% cash margin)	480,719,615	100%	480,719,615
Outstanding balance fully secured by FDR/SDR	37,501,542	0%	-
Investment in subsidiary	40,000	0%	-
Property and equipment	10,074,008	100%	10,074,008
Intangible assets	20,792	0%	-
Deferred income tax	653,531	0%	-
Other assets	2,615,889	100%	2,615,889
	1,135,852,235		**533,385,498**
Off-balance sheet items			
Contigents secured by cash collateral	18,115,793	0%	-
Direct credit substitutes (guarantees and acceptances)	22,460,884	100%	22,460,884
Direct credit substitutes (multilateral banks)	4,371,025	100%	4,371,025
Transaction related (performance bonds and standbys)	16,546,278	50%	8,273,139
Documentary Credits (trade related and self liquidating)	41,463,807	20%	8,292,761
Other Commitments (unused formal facilities)	15,605,216	50%	7,802,608
Sub total	118,563,003		51,200,417
Total risk-weighted assets			**584,585,915**
		2014	**2013**
		Shs'000	**Shs'000**
On balance sheet		533,385,498	446,649,244
Off Balance sheet		51,200,417	40,088,210
Total risk-weighted assets		584,585,915	486,737,454
Tier 1 Capital		176,779,821	147,961,539
Total Capital (Tier 1+Tier 2)		186,635,291	157,052,160
Capital Ratio			
Tier 1 (BOU Minimum - 8%)		30.24%	30.40%
Tier 1 + Tier 2 (BOU Minimum - 12%)		31.92%	32.27%

4. Financial Risk Management (Continued)

(f) Fair value of financial instruments

The Bank's financial assets and financial liabilities are measured at fair value at the end of each reporting period. As at 31 December 2015, the Bank had treasury bills and treasury bonds that are available for sale and are measured at fair value. Available-for-sale treasury bills and treasury bonds` fair values are derived from discounting future cash flows. The discounting rates used for the valuation of treasury bills and bonds are derived from observable market data.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The table below shows an analysis of all assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements by level of their fair value hierarchy. The fair values are grouped into three levels as mentioned in Note 2.1 of these financials, based on the degree to which the fair value is observable.

		Level 2
		Shs`000
Year ended 31 December 2015		
Assets		
Available for sale financial assets		
-Treasury bills and treasury bonds (available-for-sale)		249,337,484
		249,337,484
Year ended 31 December 2015		
Assets		
Available for sale financial assets		
-Treasury bills and treasury bonds (available-for-sale)		370,631,738
		370,631,738

During the reporting period ended 31 December 2015, there were no transfers into and out of Level 2 fair value measurements.
The fair values of the Bank’s other financial assets and liabilities that are measured at amortised cost approximate the respective carrying amounts, due to the generally short periods to contractual re-pricing or maturity dates as set out in note 4b (Liquidity risk).

Notes (Continued)

		Group		Company	
		2015	2014	2015	2014
5.	**Interest income**	Shs'000	Shs'000	Shs'000	Shs'000
	Income from treasury bills	38,292,339	36,019,133	38,292,339	36,019,133
	Income from treasury bonds	208,214	336,179	208,214	336,179
	Income earned from placements, corporate bonds and repos	5,646,986	10,271,441	5,646,986	10,271,441
	Income from loans and advances	84,209,050	73,341,096	84,209,050	73,341,096
		128,356,589	119,967,849	128,356,589	119,967,849
6.	**Interest expense**				
	Demand deposits	53,895	59,507	53,895	59,507
	Savings accounts	1,681,582	1,465,380	1,681,582	1,465,380
	Time deposits	51,614,437	55,823,640	51,614,437	55,823,640
	Others	748,585	4,658,456	748,585	4,658,456
		54,098,499	62,006,983	54,098,499	62,006,983
7a.	**Non interest income/other income**				
	Profit on sale of property and equipment	13,400	4,472	13,400	4,472
	Fees and commission income	13,735,996	12,982,489	13,735,996	12,982,489
	Gains arising from dealing in foreign currencies	2,151,116	1,575,151	2,151,116	1,575,151
	Profit on sale of investments	1,359,107	507,757	1,359,107	507,757
	Other income	154,471	170,049	-	-
		17,414,090	15,239,918	17,259,619	15,069,869
7b.	**Gain arising from dealing in fx - realised**	2,145,450	1,573,616	2,145,450	1,573,616
	Gain arising from dealing in fx - unrealised	5,666	1,535	5,666	1,535
		2,151,116	1,575,151	2,151,116	1,575,151
8.	**Non interest expense**				
	Employee benefits expense (Note 9)	9,937,321	9,625,473	9,913,060	9,607,575
	Advertising	245,514	194,314	245,514	194,314
	Auditor's remuneration				
	- current year	143,166	111,976	141,391	110,519
	Loss on sale of investments	1,638,050	-	1,638,050	-
	Depreciation, amortization and impairments	1,387,912	1,374,146	1,387,412	1,373,523
	Repairs and maintenance	587,736	394,299	587,736	394,299
	Directors' emoluments as executives	134,827	124,403	134,827	124,403
	Administration and management fees	4,355,640	3,507,585	4,355,640	3,507,585
	Consulting and professional fees	153,930	272,444	153,930	272,444
	Rent and rates	1,992,852	1,091,194	1,992,852	1,091,194
	General expenses	5,632,619	4,774,468	5,605,081	4,740,476
	Bad debts written off	10,888,468	4,503,095	10,888,468	4,503,095
		37,098,034	25,973,397	37,043,961	25,919,427
9.	**Employee benefits expense**				
	Salaries and wages	8,634,262	8,292,989	8,610,001	8,275,091
	Other benefits	457,506	386,363	457,506	386,363
	Post- employment benefits	845,553	946,121	845,553	946,121
		9,937,321	9,625,473	9,913,060	9,607,575

		Group		Company	
		2015	2014	2015	2014
10.	**Income tax expense**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
	Current income tax	5,521,897	3,850,681	5,492,305	3,815,975
	Deferred income tax - charge/(credit) (Note 17)	261,702	(192,508)	261,729	(192,485)
	WHT as final tax	7,684,091	5,749,833	7,684,091	5,749,833
		13,467,690	9,408,006	13,438,125	9,373,323
	The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:				
		Group		Company	
		2015	2014	2015	2014
		Shs'000	Shs'000	Shs'000	Shs'000
	Profit before income tax	54,671,368	46,297,768	54,570,970	46,181,690
	Tax calculated at domestic rates applicable in Uganda - 30% (2014 - 30%)	16,401,410	13,889,330	16,371,291	13,854,507
	Tax effect of:				
	- WHT as final tax	7,684,091	5,749,833	7,684,091	5,749,833
	- income not subject to tax	(11,430,258)	(10,302,290)	(11,430,863)	(10,302,149)
	- expenses not deductible for tax purposes	823,322	71,132	813,605	71,132
	Tax	13,467,690	9,408,006	13,438,125	9,373,323
11.	**Cash and balances with the Central Bank**				
	Cash in hand	8,779,220	8,937,959	8,478,713	8,769,061
	Balances with Bank of Uganda	79,935,345	69,697,537	79,935,345	69,697,537
		88,714,565	78,635,496	88,414,058	78,466,598
	The carrying amounts of the group and company`s cash and cash equivalents are denominated in the following currencies:				
			Group		Company
		2015	2014	2015	2014
	Uganda Shilling	82,538,794	75,302,421	82,238,287	75,133,523
	Kenya Shilling	15,316	12,337	15,316	12,337
	US Dollar	5,899,450	3,212,247	5,899,450	3,212,247
	Euro	185,727	71,313	185,727	71,313
	Great Britain Pound	75,278	37,178	75,278	37,178
		88,714,565	78,635,496	88,414,058	78,466,598

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. As at 31 December 2015, the mandatory deposits were 8% of total deposits (2014: 8% of total deposits).

Notes (Continued)

			Group		Company	
			2015	2014	2015	2014
12.	**Other financial assets**		Shs'000	Shs'000	Shs'000	Shs'000
	Available-for-sale					
	-Treasury bills for 91 days - 365 days		169,555,857	268,026,125	169,555,857	268,026,125
	-Treasury bonds after 91 days		77,052,068	99,039,021	77,052,068	99,039,021
	-Corporate bonds		406,802	769,622	406,802	769,622
	-Interest receivable		2,322,757	2,796,970	2,322,757	2,796,970
		(A)	249,337,484	370,631,738	249,337,484	370,631,738
	Held to Maturity					
	-Treasury bills for 91 days		-	1,233,900	-	1,233,900
	-Treasury bonds after 1 year		17,991,536	26,541,683	17,991,536	26,541,683
		(B)	17,991,536	27,775,583	17,991,536	27,775,583
	Governmnnt securities	(A+B)	267,329,020	398,407,320	267,329,020	398,407,320
	Due from other financial institutions					
	-Placements with other financial institutions		210,502,754	110,750,000	210,502,754	110,750,000
	Total other financial assets		477,831,774	509,157,320	477,831,774	509,157,320
	Broken into;					
	-Available-for-sale		249,337,484	370,631,738	249,337,484	370,631,738
	-Held to maturity		17,991,536	27,775,583	17,991,536	27,775,583
	-Due from other financial institutions		210,502,754	110,750,000	210,502,754	110,750,000
			477,831,774	509,157,320	477,831,774	509,157,320
	The movement in investment securities available-for-sale during the year is summarised as follows;					
			Group		Company	
			2015	2014	2015	2014
			Shs'000	Shs'000	Shs'000	Shs'000
	At start of year		370,631,738	202,794,681	370,631,738	202,794,681
	Addition/(deduction) - net		(118,352,700)	167,308,600	(118,352,700)	167,308,600
	Interest receivable		2,322,757	1,192,468	2,322,757	1,192,468
	Net (loss)/gain in fair value of available-for-sale securities C		(5,264,310)	(664,012)	(5,264,310)	(664,012)
			249,337,485	370,631,737	249,337,485	370,631,737
	Reconciliation of losses on available for sale securities					2015
						Shs'000
	At the start of the year(investment fluctuation reserve)					1,651,914,919
	IFR 5 year bonds			A		64,913,652
	IFR AFS bonds (Charge to profit and loss)					3,677,309,530
	Gain or loss on avaliable for sale securities			B		5,329,224,449
	Net loss on available for sale securities			C	C = B - A	5,264,310,797

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

The weighted average effective interest rate on treasury bonds as at 2015 was 15.56% (2014: 13.54%) and on treasury bills was 19.28% (2014: 12.74%).

12. Other financial assets(continued)

The weighted average effective interest rate on treasury bonds as at 2015 was 15.56% (2014: 13.54%) and on treasury bills was 19.28% (2014: 12.74%).

The weighted average effective interest rate on local placements as at 2015 was 13.42% (2014: 11.00%) and on foreign placements was 0.60% (2014: 2.61%).

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

There were no gains or losses realised on the disposal of held-to-maturity financial assets in 2015 and 2014, as all the financial assets were disposed of at their redemption date.

			2015	2014	2015	2014
13.	**Loans and advances to customers**		**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
	Overdrafts		336,286,533	277,239,448	336,286,533	277,239,448
	Demand and term loans		283,251,853	246,636,501	283,251,853	246,636,501
	Personal loans		423,056	482,540	423,056	482,540
	Gross loans and advances		619,961,442	524,358,489	619,961,442	524,358,489
	Less: Provision for impairment (Individual)		(5,073,442)	(6,137,332)	(5,073,442)	(6,137,332)
	Less: Provision for impairment (Collective)		(6,148,880)	-	(6,148,880)	-
			608,739,120	518,221,157	608,739,120	518,221,157
Movements in provisions for impairment of loans and advances are as follows:						
	At start of year					
	- Individual		6,137,332	5,207,714	6,137,332	5,207,714
	- Collective		5,182,210	-	5,182,210	-
	Additional provision in the year					
	- Individual		12,592,990	2,224,729	12,592,990	2,224,729
	- Collective		966,670	-	966,670	-
	Recoveries/upgradation		(2,938,730)	(125,925)	(2,938,730)	(125,925)
	Write offs during the year		(10,718,150)	(1,169,186)	(10,718,150)	(1,169,186)
	At end of year		11,222,322	6,137,332	11,222,322	6,137,332

All impaired loans have been written down to their estimated recoverable amount. The aggregate carrying amount of impaired loans at 31 December 2015 was Shs 7063.46 Million (2014: Shs 7,148.48 Million) on which provision of Shs. 5,073.44 Million (2014: Shs. 6,137.33 Million).

Advances to customers include loans to employees of Ugx 423 Mn (2014: Ugx 483 Million). The weighted average effective interest rate on local currency loans and advances to customers as at 2015 was 19.79% (2014: 18.84%) and 8.19% (2014: 8.07%) for foreign currency loans and advances

			2015	2014	2015	2014
14.	**Deposits due to/(from) overseas branches of parent company**		**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
	Bank of Baroda, London - GBP		343,854	349,863	343,854	349,863
	Bank of Baroda, Nairobi - Kshs		50,805	31,747	50,805	31,747
	Bank of Baroda, Mumbai - INR		66,825	(324,794)	66,825	(324,794)
	Bank of Baroda, Brussels - Euro		1,839,880	3,258,923	1,839,880	3,258,923
	Bank of Baroda, New York - US Dollar		215,512	12,962,407	215,512	12,962,407
			2,516,876	16,278,146	2,516,876	16,278,146
	Classified as;					
	Current assets		2,516,876	16,602,940	2,516,876	16,602,940
	Current liabilities		-	(324,794)	-	(324,794)
			2,516,876	16,278,146	2,516,876	16,278,146

Notes (Continued)

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

The weighted average effective interest rate on deposits due from overseas branches of parent company as at 2015 was 0.28% (2014: 0.78%).

The carrying amounts of the deposits due to overseas branches of parent company are denominated in the following currencies:

	Group		Company	
	2015	2014	2015	2014
Kenya Shilling	50,805	31,747	50,805	31,747
US Dollar	215,512	12,962,407	215,512	12,962,407
Euro	1,839,880	3,258,923	1,839,880	3,258,923
Indian Rupees	66,825	(324,794)	66,825	(324,794)
Great Britain Pound	343,854	349,863	343,854	349,863
	2,516,876	16,278,146	2,516,876	16,278,146

15. Other assets

	Group		Company	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Clearing account	125,381	198,655	125,381	198,655
Others	2,665,722	2,701,974	2,483,093	2,417,234
	2,791,103	2,900,629	2,608,474	2,615,889

16. Investment in subsidiary

The composition of the group is as follows:

			Holding		Company
	Country of	2015	2014	2015	2014
Subsidiary	incorporation	%	%	Shs'000	Shs'000
Baroda Capital Markets Limited	Uganda	100	100	40,000	40,000

17. Deferred tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2014: 30%). The movement on the deferred income tax account is as follows:

	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	(656,453)	(266,519)	(653,531)	(261,842)
Statement of profit or loss - (credit)/charge	261,702	(192,508)	261,729	(192,485)
Statement of other comprehensive income - credit/ (charge)	(1,102,627)	(197,426)	(1,103,193)	(199,204)
At end of year	(1,497,378)	(656,453)	(1,494,994)	(653,531)

17. Deferred tax (continued)

The deferred income tax asset and liability and deferred income tax charge/(credit) in the statement of profit or loss and other comprehensive income are attributable to the following items:

Group		At start of year	Credited to profit or loss	Credited to other comprehensive income	At end of year
Year ended 31 December 2015		**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Deferred income tax liabilities					
Property and equipment					
- accelerated tax depreciation		504,699	(36,412)	-	468,287
- revaluation		1,634,606	(70,099)	-	1,564,507
		2,139,305	(106,511)	-	2,032,794
Deferred income tax assets					
Provisions		(2,296,823)	368,213	-	(1,928,611)
Other financial assets carried at fair value		(498,935)	-	(1,102,627)	(1,601,561)
		(2,795,758)	368,213	(1,102,627)	(3,530,172)
Net deferred income tax asset		(656,453)	261,702	(1,102,627)	(1,497,378)

Company		At start of year	Credited to profit or loss	Credited to other comprehensive income	At end of year
Year ended 31 December 2015		**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Deferred income tax liabilities					
Property and equipment					
- accelerated tax depreciation		504,262	(36,385)	-	467,877
- revaluation		1,634,606	(70,099)	-	1,564,507
		2,138,868	(106,484)	-	2,032,384
Deferred income tax assets					
Provisions		(2,296,823)	368,212	-	(1,928,611)
Other financial assets carried at fair value		(495,574)	-	(1,103,193)	(1,598,767)
		(2,792,398)	368,212	(1,103,193)	(3,527,378)
Net deferred income tax asset		(653,530)	261,729	(1,103,193)	(1,494,994)

			Group		Company	
			2015	2014	2015	2014
18.	**Intangible assets**		Shs'000	Shs'000	Shs'000	Shs'000
	Cost					
	At start of year		84,474	53,286	84,474	53,286
	Additions		15,187	31,188	15,187	31,188
	At end of year		99,661	84,474	99,661	84,474
	Amortisation					
	At start of year		63,682	53,286	63,682	53,286
	Charge for the year		15,458	10,396	15,458	10,396
	At end of year		79,141	63,682	79,141	63,682
	Net book value		20,521	20,792	20,521	20,792
19.	**Property and equipment**					
	Group					
		Buildings	**Fixtures and fittings**	**Motor Vehicles**	**IT Equipment**	**Total**
	Year ended 31 December 2015	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
	Opening net book amount	6,270,243	2,879,410	247,200	680,440	10,077,293
	Additions	207,517	492,261	-	239,047	938,825
	Disposals (net)	-	(14,932)	-	-	(14,932)
	Depreciation charge	(570,417)	(419,593)	(49,440)	(333,005)	(1,372,455)
	Closing net book amount	5,907,343	2,937,147	197,760	586,482	9,628,731
	At 31 December 2015					
	Cost or valuation	11,408,334	6,811,734	1,039,780	4,055,047	23,314,895
	Accumulated depreciation	(5,500,992)	(3,874,587)	(842,020)	(3,468,565)	(13,686,164)
	Net book Value	5,907,342	2,937,147	197,760	586,482	9,628,731
	Year ended 31 December 2014					
	Opening net book amount	6,817,246	3,166,295	309,000	744,453	11,036,994
	Additions	13,038	126,988	-	266,551	406,577
	Disposals (net)	-	(2,528)	-	-	(2,528)
	Depreciation charge	(560,041)	(411,345)	(61,800)	(330,564)	(1,363,750)
	Closing net book amount	6,270,243	2,879,410	247,200	680,440	10,077,293
	At 31 December 2014					
	Cost or valuation	11,200,817	6,421,116	1,039,780	3,852,393	22,514,107
	Accumulated depreciation	(4,930,574)	(3,541,706)	(792,580)	(3,171,953)	(12,436,814)
	Net book Value	6,270,243	2,879,410	247,200	680,440	10,077,293

19. Property and equipment (continued)

Company	Buildings	Fixtures and fittings	Motor Vehicles	IT Equipment	Total
Year ended 31 December 2015	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Opening net book amount	6,270,243	2,876,557	247,200	680,008	10,074,008
Additions	207,517	492,261	-	239,047	938,825
Disposals (net)	-	(14,932)	-		(14,932)
Depreciation charge	(570,417)	(419,236)	(49,440)	(332,861)	(1,371,954)
Closing net book amount	5,907,343	2,934,651	197,760	586,194	9,625,947
At 31 December 2015					
Cost	11,408,334	6,805,031	1,039,780	4,050,713	23,303,858
Accumulated depreciation	(5,500,992)	(3,870,380)	(842,020)	(3,464,519)	(13,677,912)
Net book Value	5,907,342	2,934,650	197,760	586,194	9,625,947
Year ended 31 December 2014					
Opening net book amount	6,817,246	3,163,034	309,000	743,806	11,033,086
Additions	13,038	126,988	-	266,551	406,577
Disposals (net)	-	(2,528)	-	-	(2,528)
Depreciation charge	(560,041)	(410,937)	(61,800)	(330,349)	(1,363,127)
Closing net book amount	6,270,243	2,876,557	247,200	680,008	10,074,008
At 31 December 2014					
Cost	11,200,817	6,380,201	1,039,780	3,848,059	22,468,858
Accumulated depreciation	(4,930,574)	(3,503,644)	(792,580)	(3,168,051)	(12,394,850)
Net book Value	6,270,243	2,876,557	247,200	680,008	10,074,008

20. Other financial liabilities

	2015	2014	2015	2014
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Balances due to other banks within 90 days	-	45,000,000	-	45,000,000
Bank of Uganda : Agricultural Credit Facility	9,296,598	8,844,298	9,296,598	8,844,298
	9,296,598	53,844,298	9,296,598	53,844,298

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 Bank. The outstanding balance as at 31 December 2015 was Shs 9,297 million (2014: Shs 8,844 million).

The weighted average effective rate of interest on foreign bank borrowings as at 2015 was 0.45% (2014: 0.45%). The weighted average effective rate of interest on local bank borrowings as at 2015 was 9.99% (2014: 9.84%).

		Group		Company	
		2015	2014	2015	2014
21.	**Customer deposits**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
	Current and demand deposits	151,823,944	126,814,315	151,823,944	126,814,315
	Savings deposits	134,309,073	110,572,992	134,309,073	110,572,992
	Time deposits	661,690,806	588,720,063	661,842,738	588,720,063
		947,823,823	826,107,370	947,975,755	826,107,370
	Analysis of customer deposits by maturity:				
	- Payable within 90 days	374,894,838	217,589,041	374,894,838	217,589,041
	- Payable after 90 days and within one year	331,888,451	473,620,591	331,888,451	473,620,591
	- Payable after one year	241,192,468	134,897,738	241,192,468	134,897,738
		947,975,757	826,107,370	947,975,757	826,107,370
	The weighted average effective interest rate on interest bearing current and savings deposits as on 2015 was 0.73% (2014: 0.67%) and 8.04% (2014: 10.77%) on time deposits.				
		Group		Company	
		2015	2014	2015	2014
22.	**Deposits and balances due from other financial institutions**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
	Due to foreign banking Institutions- local currency	10,140,000		10,140,000	
	Due to foreign banking Institutions- foreign currency	540,261	(6,734,241)	540,261	(6,734,241)
	Total	10,680,261	(6,734,241)	10,680,261	(6,734,241)
	Classified as;				
	Current assets	10,680,261	-	10,680,261	-
	Current liabilities	-	(6,734,241)	-	(6,734,241)
		10,680,261	(6,734,241)	10,680,261	(6,734,241)
23.	**Other liabilities**				
	Unearned interest	16,708,140	15,534,957	16,708,140	15,534,957
	Interest payable	-	31,845,388	-	31,845,388
	Bills payable	210,621	174,623	210,621	174,623
	Uncleared effects (net)	347,269	309,940	347,269	309,940
	Others	6,033,057	5,702,341	5,895,033	5,679,805
		23,299,087	53,567,249	23,161,063	53,544,713
	In 2015, all interest payable on customer deposits was re-classified and shown under Customer deposits thus the nil balance in 2015.				
24.	**Retirement benefit obligations**				
	Provision for gratuity	1,245,189	1,353,892	1,245,189	1,353,892

24. Retirement benefit obligations (continued)

	Movements for the year:					
	At start of year		1,353,892	1,203,842	1,353,892	1,203,842
	Additional provision made during the year		59,414	231,834	59,414	231,833
	Benefits paid		(168,116)	(81,783)	(168,116)	(81,783)
	At end of year		1,245,189	1,353,892	1,245,189	1,353,892

The retirement benefit obligations comprise of gratuity and social security. 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.

25. Share capital

Group and Company

		Number of ordinary shares (`000)	Par value of ordinary shares	Total Shs'000
At 1 January 2014		1,000,000	10	10,000,000
Issue of shares		1,500,000	10	15,000,000
At 31 December 2015		2,500,000	10	25,000,000
Issue of shares		-		-
At 31 December 2015		2,500,000		25,000,000

The total authorised number of ordinary shares is 2,500 million (2014: 2,500 million) with a par value of Shs 10 per share. All issued shares are fully paid.

26. Regulatory general credit risk reserve

	Group 2015 Shs'000	Group 2014 Shs'000	Company 2015 Shs'000	Company 2014 Shs'000
At start of year	5,279,094	4,247,868	5,279,094	4,247,868
Transfer from retained earnings	621,562	1,031,226	621,562	1,031,226
Transfer of general provision	(5,182,210)	-	(5,182,210)	-
At end of year	718,446	5,279,094	718,446	5,279,094

26b. Credit risk reserve

		B.O.U Provision Shs'000	IFRS Provision Shs'000	Difference (CRR) Shs'000
Provision (individual)		5,799,145	5,073,442	
Provision (collective)		6,141,623	6,148,880	
		11,940,768	11,222,322	718,446

During the year Ugx 5,182 million was transferred from the credit risk reserve to eliminate the effect of IFRS collective provisions in the credit risk reserve.

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

Notes (Continued)

				Group		Company
			2015	2014	2015	2014
27.	**Revaluation reserve**		Shs'000	Shs'000	Shs'000	Shs'000
	At start of year		4,673,257	4,842,753	4,673,257	4,842,753
	Transfer of excess depreciation on revaluation		(233,663)	(242,138)	(233,663)	(242,138)
	Deferred tax on transfer of excess depreciation		70,099	72,641	70,099	72,641
	At end of year		4,509,693	4,673,257	4,509,693	4,673,257

Revaluation reserves are created based on valuations by professional independent valuers. Excess depreciation counted on revaluations are transferred from capital to revenue reserves, net of deferred tax on a year to year basis. The reserve is non- distributable.

28. Dividend payable

The proposed dividend for the year 2015 is Shs. 6,250,000,000 (2014: Shs. 6,250,000,000). The dividend is at 25% of paid up share capital of Shs 25,000,000,000 (2014: 25% of paid up share capital of Shs. 25,000,000,000)

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

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

In common with other banks, the Bank 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		Company
			2015	2014	2015	2014
			Shs'000	Shs'000	Shs'000	Shs'000
	Contingent liabilities					
	Acceptances and letters of credit		44,773,622	48,436,613	44,773,622	48,436,613
	Guarantees and performance bonds		80,325,036	72,005,271	80,325,036	72,005,271
		(A)	125,098,658	120,441,884	125,098,658	120,441,884
	Less : 80% of BG against Exim bank Guarantee i.e.					
	Ugx 21,855,125 (000')	**(B)**	-	(17,484,097)	-	(17,484,097)
	Add :Other commitments (unused formal facilities)	**(C)**	9,034,860	15,605,216	9,034,860	15,605,216
		(A) + (B) + (C)	134,133,518	118,563,003	134,133,518	118,563,003
	Commitments					
	Undrawn formal stand-by facilities, credit lines and other commitments to lend		9,034,860	15,605,216	9,034,860	15,605,216

Outstanding capital commitments as at 31 December 2015 were Nil (2014: Nil).

Nature of contingent liabilities

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank 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 bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.
Foreign exchange forward contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

		Group		Company	
		2015	2014	2015	2014
30.	**Analysis of cash and cash equivalents**	Shs'000	Shs'000	Shs'000	Shs'000
	Cash and Balances with Central Banks (Note 11)	88,714,565	78,635,496	88,414,058	78,466,598
	Cash reserve requirement	(36,270,000)	(34,090,000)	(36,270,000)	(34,090,000)
	Government securities maturing within 90 days of the date of acquisition (Note 14)	169,555,857	269,260,025	169,555,857	269,260,025
	Placements with other banks	210,502,754	110,750,000	210,502,754	110,750,000
	Amounts due from group companies	2,516,876	16,602,940	2,516,876	16,602,940
	Deposits and balances due from other banks (Note 22)	10,680,261	-	10,680,261	-
		445,700,313	441,158,460	445,399,806	440,989,563

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.

31. Related party transactions

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.

Parties are considered related if one party has the ability to control the other party or exercise significant influence over that party's financial or operational decisions. Bank of Baroda, Mumbai controls 80% of the total voting rights in the bank. There are other companies which are related to Bank of Baroda (Uganda) Limited through common shareholdings or common directorships. In the normal course of business, current accounts are operated and placements made between the Subsidiary companies at interest rates in line with market. The relevant balances at the end of the year and income/expense thereon are shown below:

		2015	2014
		Shs'000	Shs'000
	(a) Purchase of services		
	Parent		
	-Management and administrative fees	4,355,640	3,507,585
	(b) Amounts due from overseas branches of parent company (Note 14)		
	Bank of Baroda, Mumbai - INR	66,825	(324,794)
	Bank of Baroda, London - GBP	343,854	349,863
	Bank of Baroda, Nairobi - Kshs	50,805	31,747
	Bank of Baroda, Brussels - Euro	1,839,880	3,258,923
	Bank of Baroda, New York - US Dollar	215,512	12,962,407
	Placements with overseas branches of parent company	142,242,089	52,725,000
		144,758,965	69,003,146
	(c) Outstanding balances arising from provision of services		
	Baroda Capital Markets (U) Limited - Fixed Deposits	151,932	136,290
	(d) Key management compensation		
	Salaries and other short-term employment benefits	194,405	156,174
	(e) Directors' remuneration and benefits		
	Directors' remuneration and benefits	134,827	124,403
	Fees for services as a director	9,400	6,400

32. 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.

Notes (Continued)

32. Earnings per share(continued)

			2015	**2014**
	Profit attributable to equity holders of the Bank (Shs`000)		41,203,678	36,889,762
	Weighted average number of ordinary shares in issue (`000)		2,500,000	2,500,000
	Basic earnings per share (Shs)		16.48	14.76
	Diluted earnings per share (Shs)		16.48	14.76
	There were no potentially dilutive shares outstanding at 31 December 2015 or 2014. Diluted earnings per share are therefore the same as basic earnings per share.			
33a.	**Reserves**	**Regulatory general resrve**	**Revaluation reserve**	**Total**
		Shs'000	**Shs'000**	**Shs'000**
	At the start of the year	5,279,094	4,673,256	9,952,350
	Transfer to regulatory reserves	621,562	-	621,562
	Appropriation of general reserve	(5,182,210)	-	(5,182,210)
	Transfer of excess depreciation on revaluation	-	(233,663)	(233,663)
	Deferred tax on excess depreciation	-	70,099	70,099
		718,446	4,509,692	5,228,138
		B.O.U	**IFRS**	**Difference**
33b.	**Credit risk reserve**	**Provision**	**Provision**	**(CRR)**
		Shs'000	**Shs'000**	**Shs'000**
	Provision (individual)	5,799,145	5,073,442	
	Provision (collective)	6,141,623	6,148,880	
		11,940,768	11,222,322	718,446

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

35. Assets pledged as security
As at the reporting date the bank pledged treasury bills of 91 days to Shs 822.80 million (2014: Shs 1,233 million) with Bank of Uganda

36. Country of incorporation
The bank is incorporated in Uganda under the Companies Act, 2012 and has been licensed under the Financial Institutions Act 2004 to conduct business of commercial banking.

37. Events after the reporting period
The management of the bank 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 bank for the year.

38. Presentation currency
The financial statements are presented in thousands of Uganda Shillings rounded off to the nearest thousands(shs 000).

Proxy Form

Bank of Baroda (U) 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 46th Annual General Meeting of the Company, to be held on the 17^{th} June 2016 and at every adjournment thereof

As witness my / out hand(s) this..............................day of..................................2016.

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 (U) Ltd.

ADMISSION FORM

The Shareholder or his / her proxy must produce this admission form in order to obtain admission to the 46th 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...

RAILWAY STATION BRANCH

KAMPALA MAIN BRANCH
P.O.Box 7197
18,Kampala Road, Kampala
Tel: 0414-233680 (Gen)

KANSANGA BRANCH
P.O.Box 7467, Plot No.70/378
Gaba Road, Kansanga, Kampala
Tel: 0414-269641

JINJA BRANCH
P.O.Box 1102,
16A/B, Iganga Road, Jinja.
Tel : 0434-120478

MBARARA BRANCH
P.O.BOX 1517
11, Masaka Road, Mbarara
Tel: 04854-21330

RAILWAY STATION BRANCH
P.O.Box 7266
Plot 2B ESSO corner, Kampala
Tel: 0414-255248 (Gen)

KAWEMPE BRANCH
P.O.Box 7820, Plot No. 35/36,
Shree Hari Complex, Kawempe
Kampala, Tel: 0414-568740

IGANGA BRANCH
P.O.Box 61
84A &84B, Main Street, Iganga
Tel: 0424-242400

KABALE BRANCH
Plot No. 94, P.O.Box 1137,
Kabale (Uganda)
Tel: 0486-422087

OVINO MARKET BRANCH
P.O.Box 7239, Kampala
Plot 24, 26 & 28
Rashid Khamis Road,
Old Kampala

MUKONO BRANCH
P.O.Box 122
Plot 59-67, Jinja Road, Mukono
Tel: 0414-291990

MBALE BRANCH
P.O.Box 971, Baroda House,
3, Pallisa Road,Mbale.
Tel: 0454-432817

ENTEBBE BRANCH
Plot 24, Gowers's Road.
P B No 589 Entebbe Uganda
Tel: 0414-323155

INDUSTRIAL AREA, KAMPALA BRANCH
P.O.Box 73446
Clock Tower, Kampala
Plot 37,39,41 & 43 Kibira
Road, Kampala
Tel: 0414-237545

LIRA BRANCH
P.O.Box 266
Plot 2, Aputi Road, Lira
Tel: 0473-420033

KOLOLO BRANCH
31, KIRA ROAD
Tel: 0414-532227

LUGAZI BRANCH
SCOUL Sec Sch. Premises
Jinja Road,
lugazi Circle.

Offsite ATM's at: OASIS MALL, KAMPALA, MAZIMA MALL IN KABALAGALA , NJERU INDUSTRIAL AREA JINJA

HEAD OFFICE

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Regulated by Bank of Uganda